S. HRG. 98-83

FIRST CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1984

HEARINGS

BEFORE THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

NATIONAL SECURITY

FEBRUARY 3, 1983
MARCH 7, 1983

Volume I

Printed for the use of the Committee on the Budget

U.S. GOVERNMENT PRINTING OFFICE
19-899 O WASHINGTON : 1983

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NATIONAL SECURITY

THURSDAY, FEBRUARY 3, 1983

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee convened, pursuant to notice, at 10:10 a.m., in room 6202, Dirksen Senate Office Building, Hon. Pete V. Domenici (chairman of the committee) presiding.

Present: Senators Domenici, Kassebaum, Symms, Grassley, Kasten, Quayle, Gorton, Chiles, Biden, Johnston, Sasser, Hart, Metzenbaum, Riegle, and Exon.

Staff present: Stephen Bell, staff director; Charles Flickner, senior analyst for national security and international affairs; Richard N. Brandon, minority staff director; and Richard Koskella, analyst for national security and international affairs.

OPENING STATEMENT OF CHAIRMAN DOMENICI

Chairman DOMENICI. The committee will please come to order.

Secretary Weinberger and General Vessey, we welcome you here.

The committee has asked you here today to discuss what may be the two most important issues facing Congress: "How much can this country afford to spend for defense over the next 5 years?" and "What global strategy and force structure are most appropriate to meet the military and political challenges we face?"

DEFENSE SPENDING

These are very different questions from those this committee faced 4 years ago. At that time Senator Hollings and others, including this Senator, assailed the failure of the administration to redress a decade of underfunding for national security. Members of this committee led the movement in the Senate to achieve the first real increase in defense spending for several years. The 5-percent real growth target we cited during the 1979 budget debates was widely accepted than as the minimum level of defense spending needed to maintain essential readiness and begin modernization.

The 1979 budget resolution debates signalled a growing national consensus on increasing defense spending. Since then a lot has happened. Two presidents, Carter and Reagan, have proposed large real increases in defense budgets.

A brief review of the fiscal year 1982 total for defense budget authority show how the atmosphere was changed over the past 4 years. In January 1979, President Carter estimated $163 billion would be sufficient for fiscal year 1982. As part of the first vote on

outyear numbers, Congress increased that estimate to $185 billion. By the time President Carter left office, he was requesting $200 billion, an increase of 23 percent over his 1979 estimate. Then, President Reagan called for further increases in the fiscal year level, and obtained $219 billion. This was a 12-percent increase in real terms over fiscal year 1981.

As this example demonstrates, President Carter's last budget request for defense exceeded the 5-percent real growth target of the Congress, and President Reagan's additional request more than doubled that growth rate.

The President's budget for fiscal year 1984 seeks an additional 10 percent real growth for defense budget authority, following 3 years in which real growth totaled 32 percent. This request would add significantly to outlays in the years beyond 1984, when outlays are already rising rapidly due to the large real growth in budget authority during the previous 3 years. With budget deficits in the $200–$300 billion range, this committee and ultimately the Congress as a whole must carefully consider the affordability of the defense plan before us and what effect it will have on the economic recovery and the ability of Congress and the administration to put people back to work.

GLOBAL STRATEGY AND FORCE STRUCTURE

The second issue—what is the appropriate global strategy and force structure—has been addressed in the military posture statement of the Joint Chiefs and by you, Mr. Secretary, in your annual report to Congress. I do not quarrel with your emphasis on readiness, modernization, and management efficiencies, but I think the American people and the Congress need to know how every defense dollar meets the threats to American security. Given our current fiscal problems, it is incumbent on all of us to make sure that defense dollars are targeted clearly to the threats facing us. Since we cannot meet all the possible threats we face, as your posture statement clearly indicates, we will need your advice on which threats are of immediate concern.

Let me share some thoughts on the general issue on defense that I want to make sure are taken into account in today's discussion.

(1) Defense is not robbing social programs. Both defense and social spending have to be considered in light of the purposes to be served and the resources available. I think there is general agreement that the defense budget will be increased this year. We have not yet fully made up for underfunding in the past. But if Congress is serious about reducing future year deficits in order to sustain economic recovery, restraint will have to be considered in both defense and social programs.

(2) The nature of the defense budget insures that fiscal year 1984 outlay savings will not be the focus on this committee's consideration. Fully 35 percent of fiscal year 1984 DOD outlays are the result of prior-year decisions. If you were to add to this outlay resulting from the pay of DOD military and civilian personnel, this figure would rise to 72 percent. Clearly, our ability to achieve significant outlay savings in fiscal year 1984 is limited. We must therefore focus on the budget authority request for this year that

will be spent 2 or 3 years from now, as well as the budget authority levels that are projected for future years.

(3) Other Senate committees will fill in the details of the congressional defense program. Both the Armed Services and Appropriations Committees have been very diligent in their efforts to comply with the budget resolutions. This committee, however, needs to justify every significant increase over fiscal year 1983 levels. The Department of Defense must justify fully the requested increase in budget authority in terms of priority and relationship to defense strategy.

I don't expect you to tell us today precisely where to cut the defense budget—that may be premature. But at some point this spring, Congress and the administration will undoubtedly need to develop an alternative level for defense which can be sustained into the future.

I am not locked into a freeze on defense budget authority. There are problems with that approach, particularly in the strategic area. I am interested in examining the 5-percent target that was acceptable several years ago under much different budgetary circumstances. We are not going to wreck our defense effort if we work together when the time is right. I hope you gentlemen will be forthcoming in helping this committee deal with these vital issues.

GROUP RECOMMENDS THREE TIMES LESS IN OUTYEARS

Mr. Secretary, yesterday afternoon, we heard some testimony, in-depth, by three former Cabinet members serving under both Republican and Democrat Presidents. They have put together 500 distinguished Americans from all walks of life having served the Government in various capacities, including capacities that provide them with some degree of expertise with reference to military preparedness, but their principal thrust and theme was that they were concerned about the American economy; that they believe the President's budget with reference to deficit reduction in the outyears is inadequate and will not permit us to recover. The bottom line with reference to defense, Mr. Secretary, was that they recommended that by the year 1985, the budget authority and outlay reductions for the Defense Department be exactly three times those recommended by you—$8 billion in outlay reductions recommended in your budget; their recommendation is that it be $25 billion.

Mr. Secretary, I am not here as chairman of this committee telling you that I know the answer. But I am very concerned, as they are, not from the standpoint of fair play—think defense assessments are an assessment of need, not whether it is fair to some other program—so I do not approach it from that standpoint. But basically, we have a very difficult job of putting together a budget that makes good economic sense and will permit this country to recover. Obviously, one of the most significant growth items in the budget is military preparedness, and we are concerned about that.

With that, we welcome you. We are more than willing to work with you. We hope that you will provide answers to us today, and that if there are more detailed answers, that you will provide them as soon as possible. This committee has decided, with the full concurrence of the leadership, that we will complete our work before

Easter, and this resolution will be taken to the floor the week before Easter for vote. Two weeks before Easter, we will mark it up; that means we have about 3 weeks to finish our work here, so we hope we will receive your continued cooperation with reference to analysis. We will do our best in this particular area, and I am sure we will from time to time need your assistance, in the form of information from you and your people.

With that, I yield to Senator Chiles.

OPENING STATEMENT OF SENATOR CHILES

Senator CHILES. Thank you, Mr. Chairman. I shall make some brief remarks and request that my full statement be inserted in the record.

I want to welcome our witnesses here. I think no one in the room should doubt our need to beef up our defenses. I think we have no choice, in the face of what the Soviets are doing. We see what they have been doing over a period of years and we also see, as they have built up their forces, they have also increased their activities in Poland, Afghanistan, Angola, and elsewhere.

STRONG DEFENSE NEEDS STRONG ECONOMY

But as we respond to that Soviet threat by building a strong defense, that means that we have got to have a strong economy to go with that. Our economy right now is in a mess, with huge deficits, and we are not going to be able to build a strong defense unless we can have that strong economy.

I said yesterday, and I will not go into it at length today, that I was delighted when I heard the President's message that there were going to be some cuts in defense, and that he had found $55 billion of restraint over a period of years. When I got the budget book I found out that he had gone back to his original budget that was turned down by the Congress, turned down with every vote on this committee, and had not accepted the figures that actually were passed into law and upon which we are making our basemark. Then I find that, rather than a cut of $55 billion, we actually have an increase over a period of time, and then I recognized some of the greater problems which we are going to have as we try to address this.

I have some questions about the projections in the defense budget. It says that we are going to get to a 7-percent growth rate over the next 5 years, with 11 percent now and then 4 or 5 percent later. Based on everything we have seen in the past, we never seem to get to those 4 or 5 percent years. We always have the high years, but we never reach the others.

Once you look past the numbers and the projections, you cannot help but ask where they came from, and you have to look at the strategy that you have developed to meet the threat. You have to determine whether it is a credible and a realizable strategy, and most important, whether the programs you are requesting are consistent with that strategy that is in fact, required.

DEFENSE BUDGET WILL HAVE TO BE CUT

One of the main chapters in the budget book on deficit growth begins with defense as 24 percent of the Federal budget in 1981 and ends with defense as 35 percent of the budget by the end of fiscal year 1988. That is the kind of defense growth that this budget will give us. I think we on this Committee are going to have to play the role of editors and do some cutting, or nobody is going to buy what the Pentagon is trying to sell.

What should we do? In my view, we must strive toward consistency, rather than rattling around between huge buildups and then periods of neglect. We have got to look at weapons systems and make hard choices, knowing that the savings are not going to come this year, but that they will show up in the years ahead. More importantly, we have got to understand that the choices among weapons must also be weighed against the choices to be made in nondefense programs. By refusing to bend even a little to the needs of the economic recovery, by trying to market a defense increase cloaked as a defense cut, the defense policymakers are walking the path back to a credibility gap, and I think, Mr. Secretary, that is dangerous ground.

I was in France and Germany last month, and they are really getting skeptical about our willingness to reach an arms control agreement, and so public support for a necessary defense buildup during tough economic times requires restraint. I do not see it in this budget. I hope to see it by the time the budget is improved by this Congress. We are going to need your help, as you are going to need ours, and that is what a partnership should be about.

Chairman DOMENICI. Thank you very much, Senator Chiles.

PREPARED STATEMENT OF SENATOR CHILES

THANK YOU FOR COMING TODAY, SECRETARY WEINBERGER.

I SAID YESTERDAY AND WILL REPEAT TODAY I'M ENCOURAGED BY THE PRESIDENT'S APPEAL FOR BIPARTISANSHIP. THAT TELLS ME HE'S WILLING TO WORK WITH THE CONGRESS AS A PARTNER TO DEVELOP AN EFFECTIVE BUDGET. LET ME ASSURE YOU I WANT THAT SAME KIND OF COMMON EFFORT. BUT IF WE ARE GOING TO BE PARTNERS, WE MUST BE FRANK WITH EACH OTHER AND FRANK WITH THE PUBLIC.

SO LET'S GO AHEAD AND BE FRANK RIGHT FROM THE BEGINNING. NOBODY IN THIS COUNTRY SHOULD DOUBT THAT THE UNITED STATES NEEDS TO STRENGTHEN ITS NATIONAL DEFENSE. THE SOVIET BUILDUP LEAVES US LITTLE CHOICE. THEY ARE BUILDING NEW WEAPONS. THEY ARE BUILDING UP THEIR NAVY AND STRENGTHENING THEIR AIR FORCE.

WE REALLY HAVE NO CHOICE BUT TO RESPOND TO THAT CHALLENGE. IN THE SPIRIT OF FRANKNESS, I MUST ADMIT WE LET OUR DEFENSE CAPABILITY FADE DURING THE LATE 60'S AND EARLY 1970'S. I HAVE SUPPORTED A STEADY GROWTH IN DEFENSE SPENDING TO GET US ON A MORE SECURE FOOTING, AND THAT GROWTH BEGAN AGAIN IN THE MID 1970'S.

RIGHT NOW WE HAVE A SOLID FOUNDATION, AND WE'VE GOT TO KEEP BUILDING. BUT WE CAN'T AFFORD TO BUILD THAT DEFENSE SKY HIGH WITHOUT ASKING SOME SERIOUS QUESTIONS. AND THAT'S WHERE THE VALUE OF BEING FRANK REALLY COMES INTO PLAY.

I'M AFRAID THE FIRST QUESTION THE PENTAGON ASKED ITSELF AS IT PLANNED THE FISCAL 1984 BUDGET WAS, "WHAT DO WE NEED?" JUDGING FROM THE SIZE OF THE DEFENSE BUDGET THE PENTAGON HAS APPARENTLY ANSWERED THAT QUESTION LIKE THIS: "EVERYTHING AND MORE".

THAT ANSWER HAS TO BE REVISED. WE NEED A STRONG DEFENSE. BUT TO GET IT, WE NEED A STRONG ECONOMY. OUR ECONOMY NOW HAS SERIOUS PROBLEMS, AND EVERYONE WILL HAVE TO HELP FIND THE SOLUTION.

NATIONAL DEFENSE DOES NOT STAND ALONE. THERE ARE COMPETING DEMANDS IN THE BUDGET, AND THE CLAIMS ARE STRONG ONES. WE HAVE SOCIAL RESPONSIBILITIES TO MEET, BRIDGES AND ROADS TO BUILD, CHILDREN TO EDUCATE, THE NEEDS OF THE AGED TO CONSIDER. WE ARE AT A POINT NOW WHERE WE CAN'T MEET ALL THOSE NEEDS AT THE IDEAL LEVEL WE WOULD PREFER. SO EVERYONE WILL HAVE TO SACRIFICE. AND THAT MEANS DEFENSE, TOO.

WE ARE UP AGAINST A TREMENDOUS DEFICIT. IN FISCAL 1984 THE

DEFICIT WILL BE $188 BILLION. BY THE END OF FISCAL 1988, THE CONTINUING DEFICITS WILL PUSH THE NATIONAL DEBT OVER THE $2 TRILLION MARK. ONE OF THE MAIN CHAPTERS IN THE BOOK ON DEFICIT GROWTH BEGINS WITH DEFENSE SPENDING AS 24 PERCENT OF THE FEDERAL BUDGET IN 1981, AND ENDS WITH DEFENSE AS 35 PERCENT OF THE BUDGET BY THE END OF FISCAL 1988. THAT'S THE KIND OF DEFENSE GROWTH THIS BUDGET WILL GIVE US. WE ARE GOING TO HAVE TO PLAY THE ROLE OF EDITORS ON THIS COMMITTEE AND DO SOME CUTTING OR NOBODY WILL BUY WHAT THE PENTAGON IS TRYING TO SELL THE COUNTRY.

THE DEFENSE PORTION OF THE BUDGET'S PROPOSAL CONTAINS A NUMBER OF FEATURES THAT THREATEN TO RUIN THE DEFENSE CONSENSUS. I AM TROUBLED BY WHAT APPEARS TO BE DOUBLE-DEALING ON THE SUBJECT OF DEFENSE CONSTRAINT.

I FELT PRETTY GOOD WHEN THE PRESIDENT SAID IN HIS STATE OF THE UNION ADDRESS HE WOULD SHOW SOME RESTRAINT IN DEFENSE, AND THAT IT WAS ON THE BARGAINING TABLE. BUT OVER THE WEEKEND, I LOOKED AT THE NUMBERS THAT BACK UP THE PRESIDENT'S $55 BILLION IN DEFENSE SAVINGS. THAT'S WHEN MY GOOD FEELINGS WERE REPLACED BY OLD MEMORIES.

ONE YEAR AGO THIS MONTH, THE PRESIDENT SENT US A BUDGET THAT NOBODY SUPPORTED. IN FACT, THIS COMMITTEE REJECTED IT UNANIMOUSLY. LAST MAY, THE MAJORITY MEMBERS ON BOTH THE HOUSE AND SENATE BUDGET COMMITTEE NEGOTIATED A COMPROMISE BUDGET WITH THE PRESIDENT. HE WENT ON T.V. TO ENDORSE IT. IT BECAME THE BASIS FOR STATUTORY DECISIONS BY THE APPROPROPRIATIONS AND DEFENSE AUTHORIZATION COMMITTEES IN THE CONGRESS. IT INCLUDED A LOWER RATE OF DEFENSE SPENDING, AND THE WHOLE PACKAGE BECAME THE LAW OF THE LAND.

THEN, LAST JULY, THE PRESIDENT DECIDED HE WOULDN'T STAY WITH THAT COURSE. HE SAID HE WOULDN'T BE BOUND BY HIS AGREEMENT. THE MEMBERSHIP OF THE PRESIDENT'S OWN PARTY ON THIS COMMITTEE HIT THE CEILING.

WHEN THE FISCAL 1984 BUDGET CAME OUT LAST WEEKEND, IT BECAME CLEAR THAT THE PRESIDENT MEANT WHAT HE SAID LAST JULY. HE HAS DECIDED TO OVERLOOK THE ORIGINAL AGREEMENT AND USE LAST FEBRUARY'S FIGURES -- THE ORIGINAL HIGHER FIGURES -- AS THE BASIS FOR COMPUTING HIS DEFENSE CUTS. HERE'S WHAT THAT MEANS.

INSTEAD OF $55 BILLION IN DEFENSE <u>SAVINGS</u>, DEFENSE SPENDING WILL

ACTUALLY GROW BY 83 BILLION OVER THE CONGRESSIONAL BUDGET OFFICE BASELINE USED IN LAST YEAR'S BUDGET RESOLUTION. THAT'S LIKE THE SHOP KEEPER ANNOUNCING HE'S HAVING A "TWENTY-PERCENT-OFF" SALE, BUT RAISING THE PRICES BY TWENTY-FIVE PERCENT BEFORE THE DOORS ARE OPEN.

LEAVING ASIDE THE ACCURACY OF THE PRESIDENT'S DEFENSE NUMBERS, THERE'S ANOTHER PROBLEM IN YOUR PROJECTIONS. THE DEFENSE DEPARTMENT PROJECTS AN ELEVEN PERCENT REAL GROWTH REQUEST IN FISCAL 1985; THEN SAYS THE RATES WILL DROP SUBSTANTIALLY TO FIVE THEN FOUR PERCENT IN THE "OUT" YEARS. THESE LOW NUMBERS HELP REDUCE THE RATE OF REAL GROWTH TO ABOUT SEVEN PERCENT OVERALL.

EVERY YEAR IT SEEMS THE ADMINISTRATION COMES IN WITH A REQUEST FOR HIGH RATES OF REAL GROWTH WHILE PROMISING LOWER GROWTH IN THE OUT YEARS. I WISH WE COULD GET TO THOSE "OUT" YEARS, BUT THEY JUST SEEM TO STAY OUT THERE BEYOND OUR REACH. THAT HAPPENS BECAUSE COSTS ARE ALWAYS BEING "RE-ESTIMATED" LATER; THE "TECHNICAL REQUIREMENTS" ALWAYS SEEM TO GROW MORE COMPLEX; THE THREAT ALWAYS SEEMS TO GROW "LARGER". THE RESULT IS THE LOWER GROWTH RATES PROMISED AT THE OUTSET ARE ALWAYS REVISED AWAY.

IN ADDITION TO DOUBTFUL SAVINGS AND SUSPICIOUS PREDICTIONS, I AM CONCERNED AS WELL ABOUT THE DISTURBING AND EVIDENT "BOW WAVE" EFFECT IN THE DEFENSE BUDGET. THE "BOW WAVE" STARTS OFF LOW WHEN WEAPONS SYSTEMS ARE BEGUN, SO THE DOWN-PAYMENT IS COMPARATIVELY LOW. BUT OVER THE YEARS, THE COSTS BALLOON AS A WEAPON GOES INTO PRODUCTION AND PROCUREMENT BEGINS. THE AMBITIOUS PROGRAM STARTS IN THE LAST TWO YEARS HAVE ALL THE MAKINGS OF A REAL CRISIS AS THE YEARS GO BY. USING YOUR OUTLAY RATES, DEFENSE PROCUREMENT WILL GO UP AT A 20 PERCENT RATE OVER THE NEXT FIVE YEARS. AND THAT ASSUMES YOUR ESTIMATES ARE RIGHT ON TARGET.

FRANKLY, THE DEFENSE BUDGET HAS A BASIC PROBLEM WITH REALISM. DOUBTFUL NUMBERS, DOUBTFUL PROJECTIONS, UNDOUBTEDLY HIGH RATES OF GROWTH IN PROCUREMENT ARE ALL SERIOUS PROBLEMS. WHAT IT COMES DOWN TO IS FAIRLY BASIC; IF YOU ARE NOT PREPARED TO CUT PROGRAMS, YOU WON'T BE ABLE TO TACKLE THE GROWTH RATE PROBLEM. WE NEED TO CONTINUALLY ASSESS OUR DEFENSE PROGRAM BASED ON NEED, PERFORMANCE REQUIREMENTS, AVAILABLE ALTERNATIVES AND NOT WITH AN EYE TO JUST RAISE THE PRICE TAG. IN SHORT, THE DEFENSE SPENDING PATTERN MUST REST ON STRATEGIC QUESTION

ABOUT WHAT THE UNITED STATES WANTS TO DO WITH ITS MILITARY CAPABILITY. THE ANSWER TO THAT FOUNDATION QUESTION, MUST BE REALISTIC IN THE MOST PRECISE DEGREE.

INDEED, CONGRESS MUST LOOK PAST THE NUMBERS AND PERCENTAGES. WE MUST LOOK AT THE STRATEGY THE PENTAGON HAS DEVELOPED TO MEET THE THREAT, WHETHER IT IS A CREDIBLE AND REALIZABLE STRATEGY, AND MOST IMPORTANT, WHETHER THE PROGRAMS YOU ARE REQUESTING ARE CONSISTENT WITH THAT STRATEGY AND, IN FACT, REQUIRED. WE CANNOT AFFORD DUPLICATION OF EFFORT OR CAPABILITIES WHICH OVERSHOOT THE NEEDS OF OUR STRATEGY.

IF WE FOLLOW THE THINKING THAT WE MUST HAVE FOUR VERSIONS OF EVERY WEAPON JUST TO SATISFY EACH OF THE FOUR SERVICES, WE MAKE A SERIOUS MISTAKE. IN FACT, DUPLICATING DETERRENTS CAN MAKE US LOOK TO THE WORLD LIKE WE ARE BUILDING AN OFFENSIVE FORCE RATHER THAN A STRONG DEFENSE. YET THAT IS A VIEW COMING INTO FASHION NOT JUST AMONG OUR POTENTIAL ADVERSARIES, BUT AMONG OUR ALLIES, AS WELL. WHEN I WAS IN FRANCE AND GERMANY LAST MONTH, I HEARD SERIOUS QUESTIONS RAISED ABOUT HOW SERIOUS THE UNITED STATES WAS ABOUT REACHING AN ARMS CONTROL AGREEMENT.

I BELIEVE OUR OWN FORCES MUST BE MODERNIZED. THEY MUST BE MADE BETTER, BUT NOT NECESSARILY BIGGER.

MR. WEINBERGER, IN THE ADMINISTRATION'S HASTE TO PUT ITS STAMP ON DEFENSE STRATEGY, THERE HAS BEEN SOME CONFUSION BETWEEN THE NEEDS OF DETERRENCE AND THE OPPORTUNITY FOR CREATING AN OFFENSIVE WARFIGHTING FORCE. IF WE CAN REFOCUS OUR DEFENSE STRATEGY ON THE ESSENTIAL ELEMENTS OF DETERRENCE -- MODERNIZATION OF EXISTING FORCES, IMPROVED READINESS, AND IMPROVED CAPABILITY THROUGH INNOVATION -- WE CAN DEVELOP A STRONG DEFENSE.

IT'S MY VIEW THAT WE MUST STRIVE TOWARD CONSISTENCY RATHER THAN RATTLING AROUND BETWEEN HUGE BUILDUPS AND PERIODS OF NEGLECT. WE MUST LOOK AT WEAPONS SYSTEMS AND MAKE HARD CHOICES, KNOWING THAT THE SAVINGS WON'T COME THIS YEAR, BUT THEY WILL SHOW UP IN THE YEARS AHEAD. MORE IMPORTANTLY, WE MUST UNDERSTAND THAT THE CHOICES AMONG WEAPONS, MUST ALSO BE WEIGHED AGAINST THE CHOICES TO BE MADE IN NON-DEFENSE PROGRAMS. THERE ARE ANY NUMBER OF COMPELLING NEEDS COMPETING WITH DEFENSE FOR THE PUBLIC'S DOLLAR.

SO WE MUST UNDERSTAND THAT THE WE CANNOT SUSTAIN THE DEFENSE

GROWTH RATE IN THIS BUDGET, WITHOUT SERIOUSLY DAMAGING OUR CHANCES FO- A STABLE AND FAIR ECONOMIC RECOVERY. IF WE DON'T START RIGHT NO- CONTAINING DEFENSE GROWTH, IT WILL KEEP EATING LARGER AND LARGER SHARES OF OR NATIONAL WEALTH.

MR. SECRETARY, I WANT TO HELP THIS NATION REBUILD ITS DEFENSE. NEITHER I NOR ANY OTHER RESPONSIBLE OBSERVER IS SUGGESTING WE MAKE REAL CUTS IN DEFENSE SPENDING. IN FACT I WAS ONE OF THE MEMBERS ON THIS COMMITTEE YEARS AGO WHO ARGUED THAT WE NEEDED TO STRENGTHEN OUR DEFENSE. BUT WE MUST ASK HOW MUCH IT CAN BE INCREASED WITHOUT DAMAGING THE OVERALL ECONOMY.

IT IS NO OVERSTATEMENT TO SAY THE DEFENSE SECTOR IS VERY NEAR A CRISIS OF CONFIDENCE. BY REFUSING TO BEND EVEN A LITTLE TO THE NEEDS OF ECONOMIC RECOVERY; BY TRYING TO MARKET A DEFENSE INCREASE CLOAKED AS A DEFENSE CUT, DEFENSE POLICY MAKERS ARE WALKING THE PATH BACK TO CREDIBILITY GAP. MR. SECRETARY, THAT'S DANGEROUS GROUND. PUBLIC SUPPORT FOR A NECESSARY DEFENSE BUILDUP DURING TOUGH ECONOMIC TIMES, REQUIRES RESTRAINT. I DON'T SEE IT IN THIS BUDGET. BUT I EXPECT TO SEE IT IN THE BUDGET APPROVED BY THIS CONGRESS.

WE WILL NEED YOUR HELP. AND YOU WILL NEED OURS. THAT'S WHAT A PARTNERSHIP IS ALL ABOUT.

Chairman DOMENICI. I have a statement I would like to insert into the record at this time from Senator Hatch who is unable to be here today.

STATEMENT OF SENATOR HATCH

Mr. Secretary and General Vessey, I want to welcome you to the Committee and to express my appreciation for your presence here today.

One of the first priorities of the Congress, as expressed in Article I, Section 8, of the Constitution is to "provide for the common defense . . . of the United States" Your testimony here today will be invaluable assistance to us as we attempt to establish budget levels for defense spending this year.

We are faced with difficult decisions. The threat to our national security, as well as to the security of our allies, continues to grow. The principal adversary in this equation remains the Soviet Union and its satellite nations. Their threat is manifested by the increasing amounts of weaponry being produced and deployed by the Soviets. Many in the past have attempted to portray the Soviet force as defensive, reacting only to what they perceived as a threat to their security. But the present force structure of their armed forces causes one to come to the inescapable conclusion that they are now poised on the offensive. This military power is being translated into political influences that we must counter.

Throughout the 1970's, according to all forms of measurement, the United States let defense spending fall. It was as if we offered our national security as a sacrificial lamb to the failure in Vietnam. Amercians, not just those in Washington, but everywhere, felt uncomfortable in discussing military strength.

Today, the U.S. military strategy must take a broader view of a complex array of geo-political and economic links throughout the world. As a nation we remain committed to our national strategy of deterrence, but must do so with a watchful eye on Soviet activity world-wide,

Last year saw a change in Soviet leadership, with Yuri Andropov succeeding the late Lenoid Brezhnev. There has been a great deal of speculation that the Soviet Union would pursue a less aggressive foreign policy and concentrate on managing their economy. To date that speculation has been only speculation; the Soviets have shown no reluctance to challenge the west. President Reagan has offered to meet fact-to-face with Mr. Andropov to discuss serious arms reductions. He offers "zero option", making Europe a nuclear-free zone. If Mr. Andropov were truly seeking peace, He would have jumped to accept such a proposal. Instead he turned away, rejecting it as "unrealistic."

If I might turn for just a moment to some specific concepts: In 1980 we had a strong mandate to return this nation to its position of a world leader. Large increases in defense spending resulted. Without wanting to sound too critical, I want to state that we seem to be lacking a comprehensive strategy on how to best employ this increase. In other words, are we getting the maximum bank for the buck? Too many weapons seem to be eating up large amounts of money without ever being deployed. It makes no sense to build imaginary weapons, ones that lead to what I refer to as "over-the-horizon procurement." Where as soon as the system is ready for production we wait because next year, or two years down the road, there will be a better version of the weapon, That may be true; but, in the meantime, our soldiers are being overmatched by the new systems being deployed by the Soviets. I would hope we could translate solution of this problem into more economical defense spending.

Mr. Secretary and General Vessey, in closing my remarks I want to emphasize that I support a strong military. However, I am cognizant of the cry that has gone up to slow down the defense spending rush. I think you and I will agree that in some ways defense has accepted its cuts. There may be more ways yet to be found that do not compromise our national security and which can be accepted by all. I appreciate your testimony today as a roadmap through this maze so that I might have greater insight into the problems as the budget process continues. Thank you.

Chairman DOMENICI. Now, Mr. Secretary, what is your pleasure? You have a very lengthy statement. We have seen it. Do you want to make it a part of the record and abbreviate it, or would you care to deliver the entire statement?

Secretary WEINBERGER. No, sir. I would like to make it a part of the record and abbreviate it. I would also like to make just one or two short comments on the statements you and Senator Chiles have made, and then we will proceed to present an abbreviated version of the statement, and I appreciate that it will all be put in the record.[1]

Chairman DOMENICI. It will be made a part of the record.

STATEMENT OF HON. CASPAR W. WEINBERGER, SECRETARY OF DEFENSE

Secretary WEINBERGER. Thank you, sir.

The $25 billion in outlay reductions that the former Cabinet members have been talking about, Mr. Chairman, would take us back over the next 3 years—1984, 1985, and 1986—of the 5-year period that we started, below the Carter figures.

I did not come here to cut President Carter's budget. I think it was totally inadequate. I think it was underfunded, and we have had to add a substantial amount to it. We have made substantial reductions in it, as you will see shortly. Those reductions have taken us down to a point that I do not think is safe for the security of the United States, from the position that I hold and the responsibilities I have, it should not be cut any further.

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[1] See p. 22.

CUTTING DEFENSE SPENDING WON'T HELP ECONOMY

The strong economy has been mentioned by Senator Chiles. I have yet to be shown how the economy is going to be helped by cutting defense spending, which will reduce tax revenues, add to the deficit problems, add very substantially to the unemployment problem, and change what is now a recovery that is well underway, I think, into a dangerous prolongation of the recession that we have had.

That is not, however, a reason for defense spending. We should not spend for defense a nickel more than we need for the defense of the Nation. But I think, it is equally wrong to equate defense spending with something that injures the economy. So, I hope we will have those points in mind as we proceed this morning and indeed, throughout the year.

Incidentally, I am delighted to hear of your accelerated schedule. I think that is something that will serve all of us very well.

Mr. Chairman, you and Senator Chiles spoke of the inconsistency of growth and then starvation, going up and going down. That is not our policy. Our policy is to go steadily forward on the path the President set forth in March 1981, with the revisions that he has put into it since, which are substantial reductions, and to proceed in an orderly, sustained, and a predictable fashion. The ups and downs, inconsistencies, and the skepticism that Senator Chiles encountered in Europe comes, I think, from the doubts and the worries that we cannot continue, that we as a nation cannot afford what we need for our security, because somehow it will hurt our economy. Actually, we think that it does not hurt the economy, but quite the contrary—although that, again, as I said, is not a reason to do it.

What we need, is indeed stability, steadiness, and recognition that the path we followed all through the seventies and the path the Soviets have followed for the last 21 years does not permit us the luxury of saying that we need a much tidier bottom line to our budget. I have talked to many of the people who signed that appeal, those 500 leaders that you spoke of, and all those former Cabinet officers who have been away from matters for quite sometime now. They had two or three statements which they introduced for almost every response when I, and others have talked to them.

The first is, "I do not really know anything about the defense budget, but it is too big, and somehow, it has to come down." Or, "I am strong for defense, but it has to come down. The bottom line is too big. The deficit is too big"—some feeling, which again is difficult for me to understand, that by reducing defense spending, you automatically reduce the deficit dollar for dollar, whereas we know that you do not. You lose tax revenues; you require additional unemployment insurance payments and all of the other things that go with unemployment. They know and we know that for each billion dollars of defense spending that is cut, just on an average, across the board, 35,000 jobs are lost. How this is to help the economy, has yet to be demonstrated.

Chairman DOMENICI. Mr. Secretary, not to be argumentative—and this is the last time I will do this—but you support the President's budget, don't you?

Secretary WEINBERGER. Solidly.

CUTTING ENTITLEMENTS NOT BAD FOR THE ECONOMY

Chairman DOMENICI. Yesterday afternoon, or late in the morning, when we had Mr. Stockman, we went through just a rough exercise with him. I think this committee is generally committed to the proposition that we ought to get started in cutting entitlements, which have a wedge of being small and growing large. A rough cut shows that that budget would cut entitlements by $135 billion. I am not trying to pin one off against the other at all; I opened with that remark. We ought to give our military what they need. But would you also conclude that the $135 billion in restraint is bad for the economy?

Secretary WEINBERGER. No, because there is a difference in a lot of that spending, Mr. Chairman. A lot of that spending, transfer payments, entitlement payments, do not generate tax revenues of the type that defense spending generates, nor do they generate employment, nor do they have the secondary or domino effect on the economy itself—the multiplier effect, I should say. This I think, is generally known. There is a question that a lot of people have of fairness. You correctly rejected that argument, because you cannot construct a defense budget on what is fair to foodstamps, to highways, or fair to harbor dredging. You have to look at the threat. The threat is very real, it has been growing and is continuing to grow.

If you will permit me now, I will go through this short summary of the statement. We would like to present to you the facts upon which we have operated in making up the defense budget.

PRESIDENT'S BUDGET MEETS CONCERNS OF THE COMMITTEE

The support, I think, of Congress should be and has to be acknowledged at the beginning, because Congress in effect really took the lead in rebuilding our defenses. It was Congress that set the pace for this effort by appropriating funds in excess of President Carter's budget for 1981, and it was Congress that made it possible for President Reagan to restore the basic readiness of our forces, as well as begin our long-term defense modernization program. I know that the members of this committee are concerned about a dangerous shift in the military balance, and they are also concerned about being good stewards of the taxpayers' dollars, as we all try to be.

The President's 1984 defense budget, I think, meets both concerns and meets them very well.

It should be noted that the budget for 1984 is only the final step in a long year's work of constructing the defense program. Long before we put any numbers to programs in that budget, we determined that the nature and the extent of the threats to our vital national security were there, growing, and serious. We developed a strategy to meet those threats, and we decided generally what capabilities we would need in addition to those that we had, to put that strategy into effect within the constraints of our resources. That is how the administration and the Department of Defense have gone about trying to determine our long-term defense plans,

and that is how we structured our annual Defense report, which I believe was delivered to you on Monday.

The first section of that report, the policy section, begins by outlining our basic foreign policy goals and the national security objectives that are necessary to achieve those goals. Then the report goes on to describe the military threats to those goals and objectives, particularly, the threat from the Soviet Union. It sets forth our strategy for meeting this rapidly growing threat, like the strategy of preceding administrations. We have not differed very widely in strategy from those administrations, in that the United States does not start fights, which means that we cede to our potential adversaries the advantage of surprise and the opportunity to pick the time and the place of conflict. As a result, our forces must be maintained in a very high state of readiness, pre-positioned forward; our command control and communication capabilities must be flexible and enduring, as well as our intelligence capabilities, and we must have the capability to mobilize very rapidly.

Second, our strategy is to deter war, and for this, we need a strong and a survivable nuclear and conventional force posture, designed to convince any potential adversary that the cost of aggression would be much too high to justify an attack.

Third, should deterrence fail, our strategy is to restore peace on favorable terms, with the lowest possible level of conflict. For this, we need mobile, flexible, and sustainable forces, with capabilities that can counter the forces that would be deployed against us. Once we have formulated our defense policy, with an honest look at the threats we face, then we must budget to carry out that policy. We also have to have an honest look at our available resources.

Part 2 of our annual report reviews our fiscal resources, our defense manpower, our industrial base, and what we can call the Department's entrepreneurial resources, which is our ability to spend the taxpayer's dollar, effectively and efficiently.

Finally, part 3 of the report describes the programs that we are requesting in fiscal 1984 budget, a budget of $274.1 billion in total obligational authority. I am not going to try to list those programs now, because we will be talking about them, I am sure, during the course of the spring.

DEVELOP UNDERSTANDING OF THREAT

I would like to make just a few important points about our program. The first, and I think the most important is that we have to develop a responsible and a balanced understanding of the threat that we do face, it is this threat that is the only thing that can drive the construction of our budget.

Without any question, I think that the most formidable threat to the United States and our interests comes from the Soviet Union. There are threats that arise independently of the Soviet Union, but more often than not, the magnitude or persistence of those other threats and our difficulties in countering them are greatly aggravated by Soviet policies, backed by the expanding reach of Soviet military power. The 20-year Soviet military buildup, coupled with the collective failure of the United States and our allies to make a

sufficient response has resulted in a very dangerous shift in the global military balance. This shift has occurred because the Soviet Union has outspent and outproduced the United States for at least a decade. As chart 1[1] shows, the total Soviet investment in future military capabilities—that is, production of weapons and other equipment; construction of facilities and research and development was twice ours by the early 1980's. With the budget that we are requesting and the subsequent years in the President's 5-year plan, that gap will begin to narrow and close. It will not close completely. The solid line will never get above the dotted line, but it will begin to narrow.

The next chart shows the way in which——

INVESTMENT TREND SINGULAR MEASURE OF PARITY

Chairman DOMENICI. Is an investment trend a singular measure of parity or supremacy?

Secretary WEINBERGER. It is one of the ways of doing it, Mr. Chairman, because of the differences in pay and allowances for personnel, which is another of the large costs. This is one of the ways of trying to wash that big difference out and try to get a true comparison of effective military strength.

Chart 2[2] shows the breakdown, the component of that. Over here on the right, in 1981, you can see that their investment during 1980–81 in strategic nuclear forces was about three times higher than ours; their investment in general-purpose forces was about 50 percent higher, and their investment in research and development was about twice ours. And you can contrast that with the situation in 1966, the two bars at the left, when you see we were far more nearly equal, both in investment and in allocation of that investment.

Chart 3[3] I find rather chilling, because it shows the total production of various weapons over the period 1974 to 1982. This is the output. This is what they got for that investment during that period of 1974 to 1982, and of course, it compares with ours, which as you see is very much smaller in every category. And those are the results of their investment during that whole 1974 to 1982 period.

Chart 4,[4] however, I find to be the most alarming of all, because it shows the average annual production of each of these categories of equipment—tanks, armored vehicles, artillery, rocket launchers, tactical combat aircraft, ballistic missiles, submarines, theater nuclear weapons, attack submarines, major surface weapons—that is their average for each year over that 8-year period, and the diagonal shows, Mr. Chairman, what we are requesting in our budget this year. Now, because that chart shows average Soviet production, some of the checked bars will be higher in other years; yet our budget, which has been attacked as being excessive and too big, is going to acquire, in comparison with their average annual output, what they have acquired year after year, every year since 1974.

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[1] See p. 38.
[2] See p. 39.
[3] See p. 40.
[4] See p. 41.

Chairman DOMENICI. Would you put the previous one back?

Secretary WEINBERGER. That is the total production during that period.

Chairman DOMENICI. That is just America versus the Soviet Union.

Secretary WEINBERGER. Yes. That is correct.

Chairman DOMENICI. And do you have a chart that has all our allies?

Secretary WEINBERGER. Yes, we do. We have the Warsaw Pact, the Soviet Union plus the United States, NATO, and they show roughly the same kinds of ratios. They show some differences in the sense that some of the equipment of the Soviets is manufactured for other theaters and is sent to other theaters. They also do not show, however, the fact that you have a group of satellite nations that are totally under Soviet control, when you are talking about Warsaw Pact, with total interoperability and commonality of use, whereas the NATO allies, as you know, are made up of a group of extremely sovereign nations, and as provided in our ninth report to Congress on standardization of equipment within NATO—we are making progress to standardize or at least make interoperable equipment, weapons systems and ammunition within NATO through armaments cooperation programs and industry-to-industry agreements.

Chairman DOMENICI. Thank you.

SOVIETS GAINING IN TECHNOLOGY

Secretary WEINBERGER. Numbers are not everything, and we want to be very certain in pointing out that we have a number of great strengths ourselves. We traditionally offset superior Soviet numbers with our own higher quality weapons, and our technology. But today, the Soviets are seeking to attain a qualitative edge, as well as building very sophisticated, modern weapons. Unfortunately, as you know, Mr. Chairman, they have taken a great deal of this technology from us, either by trade or by theft, and they have utilized this technology—some of it that did not appear to have any particular military capability—in a way that has brought them to a very high degree of sophistication and modernity. It is one of the reasons why the rather facile argument that what we need are a lot of small, inexpensive, easy to maintain, easy to handle weapons is indeed a facile argument, because the Soviet technology does not permit us. I do not want the responsibility of putting our men in the field with equipment that we know is inferior. For many years during the development of the M-1 tank—and it took far too long to develop—we knew that if we were in a conflict, we would be sending our men in with tanks inferior to the Soviets, and we cannot ever put ourselves in a position to do that again.

We are now bringing on line numbers of the M-1 tank, and we are no longer in that situation. But this is all to point out simply that, whereas we used to have an enormous advantage and were able to multiply our forces, so to speak, and make up for the great disparity by high technology, we no longer have that marked advantage, because they have devoted a great deal of time and effort

to acquiring the technology, mostly from us, and applying it to military purposes.

Now, all of this has not only given them just accumulated weaponry, but it has given them an ability to project that power all over the world. They have expanded their power and their influence by security and cooperative agreements worldwide, sometimes made under some forms of duress. They have made massive arms deliveries to the Third World; they have doubled ours from 1977 to 1981, despite the myth that we are the biggest world arms supplier, which we are not. They have used Cuban, East German, and Libyan military proxies in Central America and in Africa. They have greatly increased their power projection capabilities, through airlift and through the construction of a blue water navy, in a very short time, and they have expanded enormously their overflight and access rights to operating bases in key parts of the world, and of course, they have an occupying army in Afghanistan. The cumulative effect of this buildup, along with some of the threats and intimidations they have on the borders of other countries, has been to change the type of attack that we might have to confront, and also to change the areas in which we could be attacked and the effectiveness of such an attack. It has given them an advantage they did not have 20 years ago. That is the right not only to bases and overflight rights, but the opportunity and the ability to seriously interrupt and disrupt the sealanes of communications that we have to maintain, over thousands of miles, to reach our allies, or to reach strategic minerals and metals that are far from our shores.

PRICE OF STRONG DETERRENT

The next point I would like to make regards the concern that you have all properly expressed, about the price of a strong deterrent and a strong defense. The defense budget has not been sacrosanct. A lot of people are indulging in another myth here in Washington that we have never really had anybody look at our budget, and that we have not taken our fair share of the cuts.

I spoke a moment ago about when the President assumed office in 1981, one of the first things that we did was to sit down and, in a very short time, in about 6 weeks, do work that normally takes about 1 year, that was to make major amendments to the budget we were operating under at that time, plus the budget that we inherited the day we took office from the previous administration. That very careful examination convinced us that that budget we took over, did not even have sufficient funding to pay the salary increase that the Congress had very properly voted the previous November. So we had to add quite a lot to it, to get it up to proper funding, and for the things that we felt were essential to enable us to counter this threat that we then saw—a threat which has gotten much worse since we came in.

That required, as the President concluded, the addition of $116 billion to the 5-year plan that he inherited, for the period 1982 to 1986. Of that $116 billion, Mr. Chairman, $66 billion has already been taken out, so there is now only a $50 billion addition to the budgets of the 5-year plan that we inherited, and that is only within a period of 2 years. That has been done by Presidential di-

rection, in attempts to improve this deficit situation that we all agree is very unfortunate, and it has been done to try to respond to various expressions of unhappiness that were raised, and the President's own feeling about the size of that deficit. But it is a very large amount—it is far more than half—and to say that there has not been any examination of the military budget certainly is indeed a myth.

COMMITTED TO FAIR MILITARY PAY

There is one aspect of this that I want to especially comment on. There is, as you know, a government-wide program to eliminate pay increases for fiscal year 1984, and military personnel have been asked to join all other recipients of Government payments in a common sacrifice by foregoing the annual pay raise for fiscal year 1984. We know that this may cause some problems. We know right now we are in the best shape in both recruiting and retention that we have been since the all-volunteer armed forces program started. Of course, I would have to say that if we have any very adverse effects from this, I would have to come before the Congress, and advise you of our request for appropriate measures to deal with it. We do not think that will happen.

But I will say right now that it is my intention to try to repay the sacrifice we are asking of our military, with a pay raise in the 1985 budget, that will be enough to cover the lack of increase this year, and an appropriate amount based on inflation for 1985. The President and I remain fully committed to fair and equitable military pay, that will be competitive with pay levels in the private sector, a level that we have achieved this year and are now paying this year, thanks to the efforts of the President and the Congress.

PRIORITIES OF NATION HAVE SHIFTED

We have spoken about the amounts that have been taken off, and the cuts that have been made in the President's program since he got here. The other thing that I would like to call to your attention is what has happened to defense spending in the past decade. Chart 7 [1] shows it started up in 1955 at about 52 percent of the total budget. It went steadily down except for a bulge during the Vietnam years, which, as you know, not only did not add anything to our strength during that period, but seriously weakened the Nation in many ways, and then it continued back down on a downward path until 1980, when it was about 23 percent of the total budget.

Payments to individuals, entitlements, started out at about 20 percent of the budget in 1955. These are: Social security, unemployment compensation, housing assistance, health care services, food and nutritional expenses, educational assistance, and several others. They went steadily up, and they will peak at just about 50 percent from 1984 to 1988, the years that we are talking about, as the President has planned.

That, then, represents a total and complete shift in the priorities of the Nation. It was particularly so from 1970 to 1980, that this

[1] See p. 44.

was felt most markedly. Bear in mind that while the Soviets were increasing steadily year after year for two decades, without ever any pause for detente, or SALT negotiations, or improved trade, or any of the other things that people hoped would bring about a change, they were going steadily up. During the Seventies alone—we were going down all during that period 1970 to 1980, defense spending in real terms decreased about 19.6 percent, just under 20 percent, in real terms, while the entitlement programs, non-defense spending, went up 122 percent in real terms during that period. And that is why questions about whether or not defense should not share in the reductions that we are asking to be made in other programs has already been answered. Defense has already shared, it has already had more than its share of cuts, during a very dangerous decade, and some now would return to that same path, which leaves us at the moment in a position of considerable danger, from which we must recover as quickly as we can.

DEFENSE ACQUISITION LONG-TERM PROCESS

Now, we have without any question a long-term effort that is required to do this. We cannot do it in fiscal year 1984. We started in fiscal 1982, and in 1983; we made very good progress in both of those years, thanks to the cooperation of the Congress, but it is a long-term process. It takes at least 6 or 7 years to do many of these things, particularly the large weapons systems, the things that are essential to enable us to recover a strategic deterrent.

So this means that the program which was begun before our administration got here—Congress, as I said, started it in 1980—is a program which Congress will have to finish long after our people have come and gone, and neither this Congress nor this administration, by the same token, begins or faces the defense program with a clean slate. Defense acquisition is a very long-term process, and every program for which we seek an appropriation has problems with it; some of them are weapons systems that do not do all of the things we would like them to do. They were ordered in the seventies, and we have concerns as to whether all the amounts we have put in them should be abandoned, which would then relegate us to trying to design another weapons system that might be better. Meanwhile—and I emphasize this—we would be left with weapons we know are inferior to the Soviets during that redesign period. The other alternative is to go ahead with some imperfections and try to improve them as best we can.

Not every program has had the cost pattern that we would like it to have had, that it might have had if it had been produced more efficiently, or indeed, more quickly.

But all of these systems respond to very real threats, and fill what would otherwise be a real gap in our defense capabilities, and, in many cases in fact, now is a gap.

This long-term program means that together, we must accept the fact that we are in this business for the long run, and we have, I think, together no higher responsibility to provide for our Nation's security—I cannot think of any higher priority—we simply have no alternative to insuring in peacetime that we have the capabilities to defend against aggression.

I have already spoken about the objections that have been raised to our defense budget, and for the most part, Mr. Chairman, they seem to center not on the content, not on the threat, not on anything except the fact that the bottom line is too big, and that the economy is in bad shape. I think that those are not in any sense sufficient reasons, when we have examined the reductions that have already been made in the proposed programs, and when we realize clearly that there is no way in which we can size our defense budget without response to the threat. Finally, there is no way in which the defense budget is going to injure our economy, and we all share the feeling that it has to be improved.

COMMITMENT TO DEFENSE ENCOUNTERS RESISTANCE

The commitment to defense and deterrence encounters a lot of resistance, and it always does because the resistance is to really accept the real meaning of the facts. If we accept them, we have to accept the need for a major, sustained response, and basically, that is pretty unpopular in a free, democratic society. Defense spending is never a popular expenditure.

But what we have to bear in mind is also that the commitment to deterrence in defense is something that has kept the peace now for 37 years, and that we confront an opposing, a coercive, and an offensive strategy. Almost all of the weaponry and the arms that the Soviets have acquired is offensive in nature, and it certainly requires a continued vigilance on our part to maintain our deterrence.

When deterrence succeeds, it is easy for many to say, "Well, that was not because of deterrence or anything; that was because there was some new peaceful intent of our opponent," or there was some new spirit of detente, or a recognition that trade would promote peace, and things of that kind.

But if deterrence fails, Mr. Chairman, and this is the critical part; the opponent, after looking over what our capabilities are, decides that he has weighed the risks, and still feels that he can make an attack, he sees our retaliatory strength that he would have to face is not sufficient to deter him, so then the dividends of a viable defense are unquestionable. Unless a defense is acquired in time and is in being and is maintained at the ready, it is far too late to try to regain it after a war starts. We barely had enough time in World War II, and conditions have changed drastically since then.

RESTORING MILITARY STRENGTH CANNOT WAIT

So I think, Mr. Chairman, that we simply cannot wait to restore the military strength. We have to do it now, this year, in this budget. The rapid and continuous growth of Soviet intensive military power permits us no alternative. The simple fact is that the decade of inadequate defense spending, matched with the enormous increases of the Soviets, forces this administration and this Congress to accept double duty. I think that we have to increase the basic readiness and sustainability of our forces, to be prepared for an immediate crisis should one occur. And indeed, the best way to

prevent a crisis from occurring is to be strong and to be able to deter an attack through that method.

At the same time, we have to make up for the lost years of investment all through the seventies and we have to undertake more research and development and force modernization that is needed to meet the threats that may arise in the future. Bear in mind, that the Soviets now are taking deliveries of all kinds of things that they designed, ordered, brought onboard in the seventies.

We simply cannot avoid performing double duty, short of endangering our immediate security, or passing on to future administrations and future Congresses the legacy of neglect that we have inherited, and imperiling the Nation by allowing our deterrent capability to weaken to the point of danger. And I think that is something that none of us want to do.

I believe General Vessey has a statement, and then I will be glad to try to take your questions.

Chairman DOMENICI. Thank you, Mr. Secretary.

DEPARTMENT OF DEFENSE

STATEMENT

BEFORE THE

SENATE BUDGET COMMITTEE

FEBRUARY 3, 1983

CASPAR W. WEINBERGER
SECRETARY OF DEFENSE

STATEMENT BEFORE THE SENATE BUDGET COMMITTEE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

BEFORE I BEGIN A DISCUSSION OF OUR DEFENSE PROGRAM, LET ME FIRST SAY HOW MUCH I APPRECIATE CONGRESS' SUPPORT -- INDEED, CONGRESS' LEAD -- IN REBUILDING OUR DEFENSES. IT WAS CONGRESS THAT INITIALLY SET THE PACE FOR THIS EFFORT BY APPROPRIATING FUNDS ABOVE PRESIDENT CARTER'S BUDGET REQUEST FOR FY 1981. AND IT IS CONGRESS THAT MADE IT POSSIBLE FOR PRESIDENT REAGAN TO RESTORE THE BASIC READINESS OF OUR FORCES AS WELL AS BEGIN OUR LONG-TERM DEFENSE MODERNIZATION PROGRAM. I KNOW THAT MEMBERS OF THIS COMMITTEE ARE CONCERNED ABOUT A DANGEROUS SHIFT IN THE MILITARY BALANCE, AND THAT THEY ARE ALSO CONCERNED ABOUT BEING GOOD STEWARDS OF THE TAXPAYER'S DOLLAR. THE PRESIDENT'S FY 1984 DEFENSE BUDGET MEETS BOTH CONCERNS.

THE BUDGET REQUEST ITSELF IS ONLY THE FINAL STEP IN DESIGNING OUR DEFENSE PROGRAM. BEFORE WE PUT NUMBERS TO PROGRAMS, WE HAVE DETERMINED OUR OVERALL NATIONAL SECURITY OBJECTIVES, THE MILITARY THREATS POSED TO THOSE OBJECTIVES, OUR DEFENSE STRATEGY TO DEAL WITH THESE MILITARY THREATS AND, FINALLY, THE FORCES WE REQUIRE TO IMPLEMENT THAT STRATEGY.

IN MY TESTIMONY LAST YEAR I FOCUSED ON THE MODIFICATIONS THAT WE HAD TO MAKE TO THE MILITARY STRATEGY AND DEFENSE POSTURE THAT WE INHERITED. IN SOME CASES, WE FOUND THAT

THE POLICIES WE INHERITED DID NOT CONFORM TO THE INTERNATIONAL REALITIES WE FACED, AND WE HAD TO MAKE SOME CHANGES. TODAY I WANT TO DISCUSS OUR ENTIRE POLICY FROM A BROADER OUTLOOK, CONSIDERING BOTH THE REFORMS WE HAVE MADE, AND THE ENDURING PRINCIPLES FROM THE PAST THAT TOGETHER FORM THE FOUNDATION OF OUR CURRENT DEFENSE POLICY.

NATIONAL SECURITY OBJECTIVES

AT THE OUTSET, IT MAY BE USEFUL FOR US TO RECALL THAT OUR OVERALL NATIONAL SECURITY OBJECTIVES, IN A VERY ABBREVIATED FORM, ARE:

- TO DETER MILITARY ATTACK AGAINST THE UNITED STATES, ITS ALLIES, AND OTHER FRIENDLY COUNTRIES.

- IN THE EVENT OF A CONVENTIONAL ATTACK, TO DENY THE ENEMY HIS OBJECTIVES AND BRING A RAPID END TO THE CONFLICT ON TERMS FAVORABLE TO OUR INTERESTS.

- TO PROMOTE MEANINGFUL AND VERIFIABLE MUTUAL REDUCTIONS IN NUCLEAR AND CONVENTIONAL FORCES.

- TO INHIBIT FURTHER EXPANSION OF SOVIET CONTROL AND MILITARY PRESENCE.

- TO AVOID SUBSIDIZING OR SUPPORTING THE SOVIET BUILDUP BY PREVENTING, IN CONCERT WITH OUR ALLIES, THE FLOW OF MILITARILY SIGNIFICANT TECHNOLOGIES AND MATERIAL TO THE SOVIET UNION.

THE SOVIET MILITARY THREAT

IN ASSESSING OUR ABILITY TO ACHIEVE THESE NATIONAL SECURITY OBJECTIVES, WE RECOGNIZE THAT THE SOVIET UNION POSES, AND FOR THE FORESEEABLE FUTURE WILL CONTINUE TO

POSE, THE MOST FORMIDABLE THREAT TO THE UNITED STATES AND OUR INTERESTS. OF COURSE, WE RECOGNIZE THAT SOME THREATS ARISE INDEPENDENTLY OF THE SOVIET UNION. BUT, MORE OFTEN THAN NOT, THE MAGNITUDE AND PERSISTENCE OF THESE OTHER THREATS AND OUR DIFFICULTIES IN COUNTERING THEM ARE GREATLY AGGRAVATED BY SOVIET POLICIES, BACKED BY THE EXPANDING REACH OF SOVIET MILITARY POWER.

THE 20-YEAR SOVIET MILITARY BUILDUP, COUPLED WITH THE COLLECTIVE FAILURE OF THE UNITED STATES AND OUR ALLIES TO MAKE A SUFFICIENT RESPONSE, HAS RESULTED IN A DANGEROUS SHIFT IN THE GLOBAL MILITARY BALANCE.

THIS GLOBAL MILITARY BALANCE HAS SHIFTED AGAINST US BECAUSE THE SOVIET UNION HAS OUT-INVESTED AND OUT-PRODUCED US FOR AT LEAST A DECADE. EVEN WHEN WE INCLUDE THE ALLIED EFFORTS OF EACH SIDE, WE FIND THAT THE WARSAW PACT HAS OUT-INVESTED AND OUT-PRODUCED THE NATO COUNTRIES.

(CHART 1: U.S.-SOVIET MILITARY INVESTMENT)

AS THIS CHAPT REVEALS, TOTAL SOVIET INVESTMENT IN FUTURE MILITARY CAPABILITIES -- THAT IS, FOR WEAPONS AND OTHER EQUIPMENT, CONSTRUCTION OF MILITARY FACILITIES, AND RESEARCH AND DEVELOPMENT -- IS ABOUT DOUBLE OURS.

(CHART 2: U.S. SOVIET MILITARY INVESTMENT BY MISSION AREA)

THIS AGGREGATE COMPARISON CAN ALSO BE VIEWED IN ITS COMPONENT PARTS. AS THIS CHART SHOWS, DURING 1980-81 SOVIET INVESTMENT IN STRATEGIC NUCLEAR FORCES WAS ABOUT THREE TIMES HIGHER THAN OURS; ABOUT 50% HIGHER FOR

GENERAL PURPOSE FORCES; AND ABOUT TWICE OUR RATE FOR RESEARCH AND DEVELOPMENT. THIS IS IN STARK CONTRAST TO THE SITUATION 15 YEARS AGO.

BUT, MORE IMPORTANT THAN THE "INPUT" -- WHAT THE SOVIETS SPEND ON DEFENSE -- IS THE "OUTPUT" -- THE TANKS, PLANES, SHIPS, MISSILES AND OTHER MILITARY HARDWARE THEY PRODUCE AND DEPLOY.

(CHART 3: U.S.-SOVIET WEAPONS PRODUCTION)

IN SOVIET MILITARY POWER WE PUBLISHED LISTS OF EQUIPMENT PRODUCED BY THE SOVIET UNION. ON THIS CHART, HOWEVER, WE ARE COMPARING PRODUCTION TOTALS ONLY OF EQUIPMENT ADDED TO THE INVENTORY OF SOVIET AND U.S. FORCES TO COMPARE ACTUAL MILITARY CAPABILITY. IF WE HAD USED TOTAL PRODUCTION FIGURES, WHICH INCLUDE EXPORT EQUIPMENT, THE IMBALANCE WOULD TIP EVEN MORE TOWARD THE SOVIET UNION.

THIS TREND IS EVEN MORE WORRISOME WHEN ONE CONSIDERS THAT THE SOVIET UNION HAS ALSO UPGRADED THE QUALITY OF ITS WEAPONS -- PARTICULARLY IN CONVENTIONAL FORCES. THE SOVIET UNION HAS ALWAYS FIELDED GREATER NUMBERS OF CONVENTIONAL WEAPONS WHICH WE OFFSET WITH SMALLER NUMBERS OF MORE CAPABLE EQUIPMENT. BUT NOW WE FIND THAT THE STEADY GROWTH IN SOVIET INVESTMENT HAS ALLOWED THEM TO PRODUCE INCREASINGLY MORE SOPHISTICATED WEAPONS SUCH AS THE POTENT T-72 TANK, ACCURATE AIR DEFENSE WEAPONS, AND FIGHTER AIRCRAFT CAPABLE OF OPERATING IN ALL TYPES OF WEATHER.

(CHART 4: U.S. SOVIET WEAPONS PRODUCTION IN FY 1984)

AS THE NEXT CHART ILLUSTRATES, EVEN THOUGH THE UNITED STATES IS NOW INCREASING ITS RATE OF WEAPONS PRODUCTION,

THE NUMBERS SOUGHT FOR THIS YEAR WILL FALL FAR SHORT OF THE AVERAGE ANNUAL SOVIET PRODUCTION.

IN SUBMITTING THIS DATA FOR YOUR CONSIDERATION, I WANT TO EMPHASIZE THAT IT IS NOT OUR INTENTION TO MATCH THE SOVIETS TANK FOR TANK OR AIRCRAFT FOR AIRCRAFT. OUR INTENTION IS TO REGAIN AN EFFECTIVE DETERRENT AGAINST EITHER SOVIET CONVENTIONAL OR NUCLEAR AGGRESSION. WE RECOGNIZE THAT OTHER FACTORS BESIDES QUANTITATIVE COMPARISONS AFFECT THE MILITARY BALANCE. ONE OF THE MOST IMPORTANT OF THESE IS THAT THE SOVIETS HAVE MATCHED THEIR MILITARY BUILDUP WITH MILITARY AND POLITICAL EXPANSION INTO STRATEGICALLY IMPORTANT AREAS FAR FROM THE SOVIET PERIPHERY.

(CHART 5: SOVIET GLOBAL POWER PROJECTION MAP)

AS THIS MAP SHOWS, THE SOVIET UNION NOW HAS:

- ACQUIRED SECURITY AND COOPERATIVE AGREEMENTS IN AFRICA, THE NEAR EAST, SOUTHEAST ASIA AND SOUTHWEST ASIA.

- UNDERTAKEN MASSIVE ARMS DELIVERIES TO THIRD WORLD COUNTRIES -- DOUBLE THE AMOUNT WE SUPPLIED FROM 1977-1981.

- ACQUIRED CUBAN, EAST GERMAN AND/OR LIBYAN MILITARY PROXIES IN CENTRAL AMERICA AND AFRICA.

- GREATLY INCREASED ITS POWER PROJECTION CAPABILITIES.

- EXPANDED ITS OVERFLIGHT AND ACCESS RIGHTS TO OPERATING BASES IN KEY PARTS OF THE WORLD.

- OCCUPIED AFGHANISTAN.

THE CUMULATIVE EFFECT OF THE SOVIET MILITARY BUILDUP AND SOVIET EXPANSIONISM HAS BEEN NOT ONLY TO CHANGE THE TYPE OF ATTACK WE MIGHT CONFRONT AND THE AREAS IN WHICH

WE COULD BE ATTACKED, BUT ALSO TO INCREASE GREATLY THE EFFECTIVENESS OF SUCH AN ATTACK. THE INCREASED SIZE AND QUALITY OF SOVIET FORCES HAS ENABLED THEM TO TURN FROM A DEFENSIVE FORCE POSTURE TO ONE INCREASINGLY STRUCTURED FOR OFFENSIVE USE. THEIR INCREASED NAVAL AND POWER PROJECTION CAPABILITY, COUPLED WITH THEIR ACQUISITION OF CRITICAL FOOTHOLDS IN STRATEGIC LOCATIONS THROUGHOUT THE WORLD, ENABLES THEM TO LAUNCH AND MAINTAIN CONFLICT IN SEVERAL THEATERS SIMULTANEOUSLY. THEIR BUILDUP OF NUCLEAR FORCES, PARTICULARLY ICBMS, ENABLES THEM TO THREATEN TO DESTROY A VERY LARGE PART OF OUR FORCE IN A FIRST STRIKE, WHILE RETAINING OVERWHELMING NUCLEAR FORCE TO DETER ANY RETALIATION WE COULD CARRY OUT.

DEFENSE STRATEGY

OUR DEFENSE STRATEGY FOR DEALING WITH THIS THREAT CONSISTS OF A SERIES OF DISCRETE BUT INTERRELATED ELEMENTS, SOME OF WHICH HAVE ENDURED FOR MANY YEARS, OTHERS OF WHICH ARE MORE RECENT IN ORIGIN. IT INCORPORATES THREE MAIN PRINCIPLES:

- FIRST, OUR STRATEGY IS DEFENSIVE. THAT IS TO SAY, IT EXCLUDES THE POSSIBILITY THAT THE UNITED STATES WOULD INITIATE A WAR OR LAUNCH A PREEMPTIVE STRIKE AGAINST THE FORCES OR TERRITORIES OF OTHER NATIONS.

- SECOND, OUR STRATEGY IS TO DETER WAR. THE DETERRENT NATURE OF OUR STRATEGY IS CLOSELY RELATED TO OUR DEFENSIVE STANCE. WE MAINTAIN A NUCLEAR AND CONVENTIONAL FORCE POSTURE DESIGNED TO CONVINCE ANY POTENTIAL ADVERSARY THAT THE COST OF

AGGRESSION WOULD BE TOO HIGH TO JUSTIFY AN ATTACK.

- THIRD, SHOULD DETERRENCE FAIL, OUR STRATEGY IS TO RESTORE PEACE ON FAVORABLE TERMS. IN RESPONDING TO AN ENEMY ATTACK, WE MUST DEFEAT THE ATTACK AND ACHIEVE OUR NATIONAL OBJECTIVES WHILE LIMITING -- TO THE EXTENT POSSIBLE AND PRACTICABLE -- THE SCOPE OF THE CONFLICT.

TO CARRY OUT THIS STRATEGY WE HAVE EMPHASIZED THREE VITAL SUPPORTING POLICIES.

FIRST, THE UNITED STATES REMAINS PART OF, AND CONTRIBUTES TO, A COLLECTIVE DEFENSE POSTURE THAT INCORPORATES THE STRENGTH OF OUR ALLIES. THE NORTH ATLANTIC TREATY, THE RIO TREATY, THE ANZUS TREATY, AND OUR TREATIES WITH KOREA, THE PHILIPPINES, AND JAPAN HELP PROVIDE FOR AN EFFECTIVE COMMON DEFENSE AGAINST EXTERNAL AGGRESSION.

SECOND, TO BUTTRESS OUR COLLECTIVE SECURITY POSTURE, WE MAINTAIN FORWARD DEPLOYMENTS THAT, COMBINED WITH THE FORCES OF OUR ALLIES, PROVIDE THE FIRST LINE OF CONVENTIONAL DEFENSE IN WESTERN EUROPE, JAPAN, AND KOREA. IN THE EVENT OF WAR, WE WOULD REINFORCE THESE FORWARD-DEPLOYED UNITS RAPIDLY.

THIRD, WE SEEK A FLEXIBLE FORCE STRUCTURE THAT BUILDS ON OUR ALLIANCE COMMITMENTS AND FORWARD DEPLOYMENTS AND PROVIDES US A VARIETY OF OPTIONS FOR QUICKLY RESPONDING TO UNFORESEEN CONTINGENCIES IN ANY REGION WHERE WE HAVE VITAL INTERESTS TO DEFEND.

THE PROBLEMS WE INHERITED

WHEN THE REAGAN ADMINISTRATION TOOK OFFICE, WE FOUND

INCONSISTENCIES BETWEEN THE EXISTING STRATEGY AND THE FORCES AVAILABLE TO CARRY OUT THAT STRATEGY. FURTHERMORE, THAT DEFENSE PROGRAM HELD LITTLE PROMISE OF PROVIDING EITHER THE STRATEGY OR THE FORCE POSTURE NECESSARY TO MAINTAIN DETERRENCE IN FUTURE YEARS IN LIGHT OF THE CHANGING SOVIET THREAT. THEREFORE, WE HAD TWO SIMULTANEOUS TASKS TO ACCOMPLISH. WE NEEDED TO MAKE OUR FORCES READY TO FIGHT IMMEDIATELY, SHOULD CONFLICT BE FORCED UPON US. WE ALSO NEEDED TO BEGIN LONG TERM IMPROVEMENTS TO OUR DEFENSE POSTURE SO THAT WE WOULD BE PREPARED TO MEET THREATS THAT MIGHT ARISE IN THE FUTURE.

OUR PROGRESS TO DATE - READINESS AND PERSONNEL

IN ORDER TO HAVE OUR FORCES READY TO RESPOND TO A CRISIS IN THE NEAR TERM, IT WAS NECESSARY TO IMPROVE QUICKLY THE READINESS AND SUSTAINABILITY OF OUR EXISTING FORCES. TO IMPROVE FORCE READINESS WE HAVE ALLOCATED RESOURCES FOR ADEQUATE MANNING AND TRAINING, MAINTENANCE, SUPPLIES OF SPARE PARTS AND AMMUNITION. WE HAVE INCREASED READINESS FUNDING CONSISTENTLY IN FY 1981, FY 1981, AND FY 1983. TO ATTRACT AND RETAIN QUALIFIED MEN AND WOMEN IN OUR ARMED FORCES WE INCREASED MILITARY PAY AND BONUSES. MILITARY PAY WAS INCREASED BY $3.2 BILLION IN FY 1981, $4.5 BILLION IN FY 1982, AND $1.5 BILLION IN FY 1983, FOR AN AVERAGE 11.7% PAY RAISE IN FY 1981, 14.3% IN FY 1982, AND 4% IN FY 1983.

AS A RESULT OF THESE EFFORTS BY THE ADMINISTRATION AND CONGRESS, THE READINESS OF OUR FORCES HAS ALREADY

IMPROVED SUBSTANTIALLY ACROSS THE BOARD AND THE NUMBER OF FULLY OR SUBSTANTIALLY READY MAJOR ACTIVE UNITS HAS INCREASED BY ALMOST ONE-THIRD. TO IMPROVE UPON THE GAINS ALREADY MADE, FUNDING FOR READINESS CONTINUES TO BE A HIGH PRIORITY IN THE FY 1984 BUDGET.

THE CALIBER OF THE MEN AND WOMEN IN UNIFORM HAS ALSO IMPROVED DRAMATICALLY. DURING THE PAST YEAR ALL THE SERVICES MET OR EXCEEDED THEIR RECRUITING OBJECTIVES, AND 86% OF OUR NON-PRIOR SERVICE RECRUITS WERE HIGH SCHOOL GRADUATES, UP FROM 68% IN FY 1980. RETENTION SHOWED SIMILAR GAINS, WITH ALMOST 70% OF ALL ELIGIBLE PERSONNEL CHOOSING TO REENLIST IN FY 1982 COMPARED TO ONLY 55% TWO YEARS EARLIER.

THIS YEAR, WE HAVE ASKED OUR MILITARY PERSONNEL TO JOIN ALL OTHER RECIPIENTS OF GOVERNMENT PAYMENT IN A COMMON SACRIFICE BY FOREGOING A PAY RAISE IN FY 1984. BY DOING SO THEY CONTRIBUTE, ALONG WITH ALL OTHER GOVERNMENT EMPLOYEES AND BENEFICIARIES, TO THE IMPORTANT NATIONAL GOAL OF REDUCING NEAR-TERM BUDGET DEFICITS.

WE HOPE THAT THIS WILL NOT CAUSE RECRUITING AND RETENTION TO SUFFER. IF RECRUITING AND RETENTION DO BECOME ADVERSELY AFFECTED TO THE POINT THAT THE READINESS OF OUR FORCES WILL SUFFER, DURING THE COMING FISCAL YEAR, WE WILL OF COURSE RECOMMEND APPROPRIATE ACTION TO THE CONGRESS. ALSO, I WILL SEEK TO REPAY THE SACRIFICE WE ARE ASKING OF OUR MILITARY, WITH A SUBSTANTIAL PAY RAISE IN THE FY 1985 BUDGET -- ENOUGH, I HOPE, TO MAKE UP FOR THIS YEAR'S PAY

FREEZE. THE PRESIDENT AND I REMAIN FULLY COMMITTED TO FAIR AND EQUITABLE MILITARY PAY THAT WILL BE COMPETITIVE WITH PAY LEVELS IN THE PRIVATE SECTOR.

SUSTAINABILITY

WE HAVE ALSO SOUGHT TO IMPROVE THE SUSTAINABILITY OF OUR FORCES. THE SOVIET UNION TODAY HAS THE WAR RESERVES TO FIGHT FAR LONGER THAN THEY COULD A DECADE AGO. IN ORDER TO ENSURE THAT THE SOVIETS NEVER CALCULATE THEY COULD SIMPLY OUTLAST US, OUR BUDGET REQUESTS RESOURCES FOR MORE REPLACEMENT EQUIPMENT, SPARE PARTS, AMMUNITION AND OTHER ESSENTIAL CONSUMABLES, AND FOR A MORE RAPID EXPANSION OF DEFENSE PRODUCTION DURING AN EMERGENCY.

MODERNIZATION

IN ORDER TO PROVIDE THE FORCES NECESSARY TO ASSURE DETERRENCE NOW, AND INTO THE FUTURE, WE HAD TO BEGIN SIMULTANEOUSLY A SYSTEMATIC MODERNIZATION OF BOTH OUR CONVENTIONAL AND OUR NUCLEAR FORCES. WE DO NOT SEEK HIGH TECHNOLOGY WEAPONS FOR THE SAKE OF HAVING HIGH TECHNOLOGY. BUT, WE MUST FIELD WEAPONS THAT ARE SUPERIOR TO THE SOVIETS' WEAPONS AND TODAY WE SEE THAT THE SOVIETS ARE FIELDING MORE AND MORE HIGHLY SOPHISTICATED WEAPONS WHICH POSE NEW THREATS TO U.S. AND ALLIED FORCES. TO DETER, AND IF NECESSARY DEFEAT, THE USE OF THESE WEAPONS, WE MUST ENSURE THAT WE CAN COUNTER WITH IMPROVED CAPABILITIES OF OUR OWN.

CONVENTIONAL FORCE MODERNIZATION

THIS MODERNIZATION PROGRAM WILL PROVIDE ENHANCED CAPABILITIES FOR ALL COMPONENTS OF OUR CONVENTIONAL FORCES --

SO THAT THEY CAN COUNTER THE INCREASED SOVIET CONVENTIONAL THREAT. TO CITE ONE EXAMPLE, THE SOVIET'S BACKFIRE BOMBER PRESENTS A GRAVE THREAT TO OUR MARITIME FORCES THAT CAN BE COUNTERED ONLY BY SOPHISTICATED DEFENSES. THE BACKFIRE CAN FLY FARTHER AND FASTER AND CARRY MORE MISSILES THAN ITS PREDECESSORS; AND ITS MISSILES ARE FASTER AND HAVE A LONGER RANGE THAN ANY WE'VE FACED IN THE PAST.

TO DEFEND AGAINST THIS SOVIET CAPABILITY, WE NOW NEED BETTER EARLY WARNING FROM SATELLITES AND AIRCRAFT TO DETECT THESE BOMBERS EARLIER. AND WE NEED FIGHTERS WITH MORE ACCURATE WEAPONS AND IMPROVED RANGE TO INTERCEPT THE BACKFIRE BEFORE IT CAN LAUNCH ITS MISSILES. TO ACHIEVE THESE CAPABILITIES WE ARE UPGRADING OUR SATELLITES, AWACS, AND FIGHTERS. BECAUSE WE CANNOT HOPE TO DESTROY ALL THE BOMBERS BEFORE THEY LAUNCH THEIR MISSILES, WE HAVE ALSO DEVELOPED THE AEGIS, A CRUISER WITH A MISSILE DEFENSE SYSTEM WHICH HAS AN IMPROVED ABILITY TO DETECT LOW AND HIGH FLYING MISSILES. ITS SOPHISTICATED RADARS AND COMPUTERS CAN TRACK A LARGE NUMBER OF MISSILES AND AIRCRAFT SIMULTANEOUSLY; ITS AIR DEFENSE WEAPONS ARE EVEN CAPABLE OF DESTROYING MISSILES.

NUCLEAR FORCE MODERNIZATION

WE MUST ALSO MODERNIZE OUR NUCLEAR FORCES IN ORDER TO RESTORE THE BALANCE WITH SOVIET NUCLEAR FORCES. ALTHOUGH ALL OF OUR STRATEGIC FORCES ACCOUNT FOR ONLY 15 PERCENT OF THE DEFENSE BUDGET, THEY ENABLE US TO MAINTAIN OUR ABILITY TO DETER NUCLEAR CONFLICT NOW AND IN THE

FUTURE, AND ALSO INCREASE THE LIKELIHOOD OF OBTAINING SIGNIFICANT, MUTUAL ARMS REDUCTION AGREEMENTS WITH THE SOVIET UNION. THE KEY COMPONENTS OF OUR NUCLEAR FORCE MODERNIZATION ARE PRODUCTION OF THE MX MISSILE, TRIDENT MISSILE AND SUBMARINE, B-1 BOMBER, PERSHING II AND GROUND LAUNCHED CRUISE MISSILE, AND IMPROVED STRATEGIC DEFENSE AND COMMAND, CONTROL AND COMMUNICATIONS CAPABILITIES.

OUR NUCLEAR MODERNIZATION PROGRAM IS NOT DESIGNED TO ACHIEVE SUPERIORITY OR A FIRST-STRIKE POTENTIAL. WE RECOGNIZE THAT THERE CAN BE NO WINNERS IN A NUCLEAR WAR. BUT THIS RECOGNITION ON OUR PART IS NOT SUFFICIENT TO PREVENT THE OUTBREAK OF NUCLEAR WAR; IT IS ESSENTIAL THAT THE SOVIET LEADERSHIP UNDERSTAND THIS AS WELL. IF THE SOVIETS RECOGNIZE THAT OUR FORCES HAVE AN EFFECTIVE RETALIATORY CAPABILITY -- THAT THEY CAN AND WILL DENY THE SOVIETS THEIR OBJECTIVES AT WHATEVER LEVEL OF CONFLICT THE SOVIETS MIGHT TRY -- THEN OUR DETERRENCE IS EFFECTIVE, AND THE RISK OF WAR DIMINISHED.

THE DEFENSE BUDGET

BEFORE I CONCLUDE, I WANT TO CORRECT SOME MISCONCEPTIONS REGARDING THE DEFENSE BUDGET.

(CHART 6: DEFENSE CUTS)

FIRST, THE DEFENSE BUDGET HAS NOT BEEN SACROSANCT -- IT TOO HAS TAKEN ITS "FAIR SHARE" OF CUTS IN THE REAGAN ADMINISTRATION. AS THIS CHART SHOWS, WHEN THE REAGAN FIVE-YEAR DEFENSE BUDGET WAS UNVEILED IN MARCH 1981, WE PLANNED TO ADD $116 BILLION TO THE CARTER ADMINISTRATION BUDGET FOR THE SAME PERIOD. NOW, LESS THAN TWO YEARS

LATER, THAT FIGURE HAS BEEN REDUCED BY MORE THAN HALF. AND WE MUST ALSO RECALL WHY IT WAS NECESSARY FOR THE PRESIDENT TO ASK SUCH A LARGE INCREASE FOR THE 80's. IT WAS BECAUSE OUR NEGLECT OF OUR ARMED FORCES IN THE 70's COINCIDED WITH THE VAST INCREASES IN THE U.S.S.R. MILITARY STRENGTH DESCRIBED EARLIER.

BUT, THE CUTS WE HAVE MADE IN THE PRESIDENT'S DEFENSE SPENDING PLAN HAVE NOT SACRIFICED READINESS FOR MODERNIZATION. SINCE WE TOOK OFFICE OVER 100 MARGINAL WEAPONS OR EQUIPMENT PROGRAMS HAVE BEEN ELIMINATED, REDUCED OR MERGED.

THIRD, CUTTING BACK ON DEFENSE IS NOT THE SOLUTION TO THIS NATION'S VERY REAL DEFICIT PROBLEM. THE INCREASE IN DEFENSE SPENDING HAS NOT PRODUCED THESE LARGE DEFICITS, AND A DECREASE IN DEFENSE SPENDING, WHILE IT COULD ENDANGER AMERICAN SECURITY, WOULD NOT CURE THEM.

(CHART 7: COMPARING DEFENSE AND ENTITLEMENTS)

OBVIOUSLY FEDERAL SPENDING LEVELS AFFECT THE SIZE OF THE BUDGET DEFICITS. IT IS TRUE THAT TOTAL FEDERAL SPENDING HAS GROWN SIGNIFICANTLY OVER THE PAST TWO DECADES. BUT, AS THIS CHART INDICATES, ENTITLEMENT SPENDING HAS SKYROCKETED OVER THE PAST 15 YEARS, WHILE DEFENSE SPENDING SLIPPED AND IS ONLY NOW APPROACHING ITS 1968 LEVEL. EVEN WITH THE CURRENTLY PROPOSED INCREASES, DEFENSE SPENDING IN FY 1984 WILL CONSTITUTE ONLY 28 PERCENT OF THE TOTAL FEDERAL BUDGET, IN SHARP CONTRAST TO THE 40-50 PERCENT SHARE ALLOCATED TO DEFENSE DURING THE 1950s AND 1960s.

FINALLY, I WANT TO ADDRESS THOSE WHO SAY "I AM FOR DEFENSE, BUT . . ." AND THOSE WHO SAY "I DON'T KNOW

ANYTHING ABOUT THE DEFENSE BUDGET, BUT. . .

- WE MUST CUT IT TO REDUCE THE DEFICIT, OR
- WE MUST CUT IT IN FAIRNESS TO OTHER PROGRAMS, OR
- WE MUST CUT IT FOR A MYRIAD OF OTHER REASONS."

I MUST EMPHASIZE TO THEM THAT WE SIMPLY CANNOT REDUCE DEFENSE SPENDING ANY FURTHER WITHOUT UNDERMINING THE SECURITY OF THE UNITED STATES. WE CANNOT AFFORD A SITUATION IN WHICH LEGITIMATE AND NECESSARY DEFENSE SPENDING BECOMES THE "WHIPPING BOY" OF THOSE WHO LOOK ONLY AT BUDGET OR DEFICIT NUMBERS OR FORGET THAT THE SOVIETS ARE DRIVEN BY NO SUCH CONSTRAINTS. WE MUST NOT FORGET THAT DEFENSE NEEDS MUST BE DETERMINED BY THE THREAT TO OUR NATIONAL SECURITY THAT WE FACE.

WE MUST THEREFORE DEVELOP A RESPONSIBLE AND BALANCED UNDERSTANDING OF THE REAL MEANING OF THE THREAT WE FACE. THE DETAILED FACTS ARE CLEAR ENOUGH. BUT THERE IS GREAT RESISTANCE TO ACCEPT THE REAL MEANING OF THESE FACTS, BECAUSE TO DO SO IS TO ACCEPT THE NEED FOR A MAJOR SUSTAINED RESPONSE. CONFRONTED AS WE ARE BY ALL MANNER OF OTHER REAL OR APPARENT NEEDS, THERE IS A TEMPTATION TO ARGUE AWAY EVEN THE MOST OVERWHELMING EVIDENCE, WITH MISPLACED HOPE THAT WE CAN CONTINUE AS USUAL, PUTTING OFF OR CANCELING UNPOPULAR MILITARY NECESSITIES, AND INCREASING OUR SPENDING ON MORE POLITICALLY POPULAR DOMESTIC PROGRAMS. INSTEAD, THE REGRETTABLE FACT IS THAT, IN VIEW OF THE THREATS POSED TO OUR NATIONAL SECURITY, THIS COURSE IS NO LONGER OPEN TO US.

WE MUST ALSO RECOGNIZE [illegible] THE COMMITMENT TO DETERRENCE

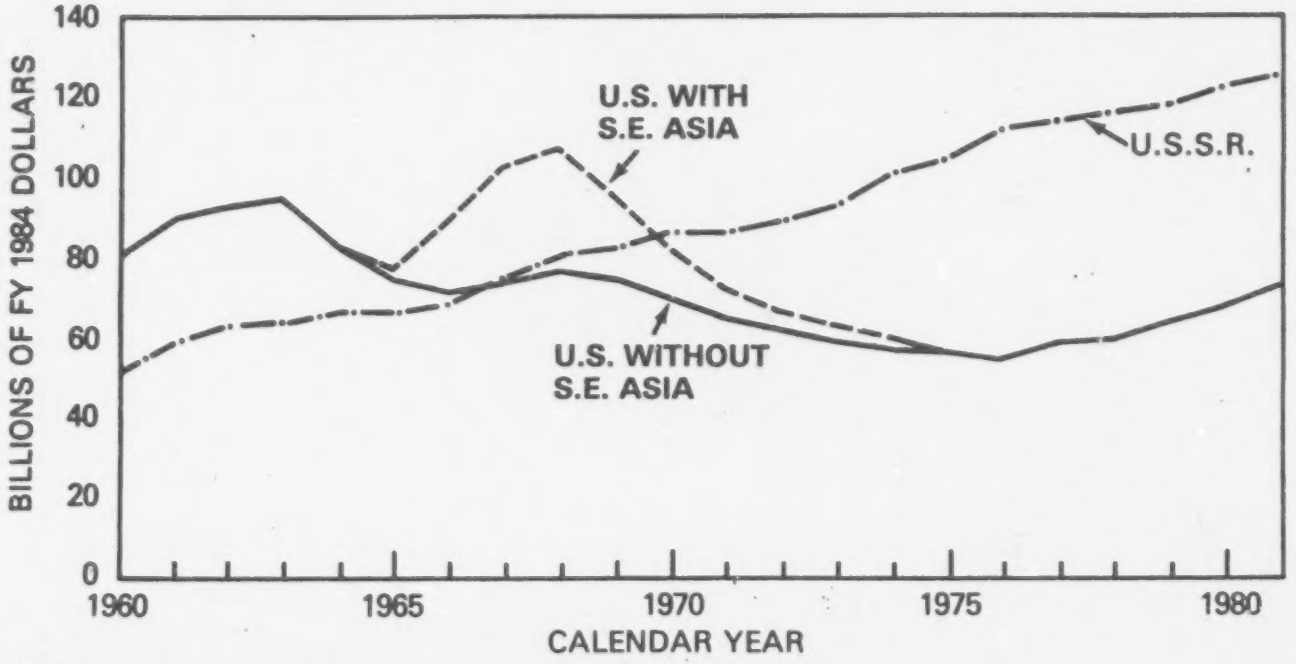
AND DEFENSE IS NEITHER EASY NOR INEXPENSIVE. WHEN IT CONFRONTS AN OPPOSING COERCIVE "OFFENSIVE" STRATEGY, IT REQUIRES CONTINUED VIGILANCE TO MAINTAIN. WHEN DETERRENCE SUCCEEDS, IT IS EASY TO ATTRIBUTE THE MAINTENANCE OF PEACE NOT TO THE CONTRIBUTION OF THE DEFENSE THAT ENFORCES THE DETERRENT, BUT TO A HOST OF MORE FACILE ASSUMPTIONS -- SOME IMAGINED NEW-FOUND "PEACEFUL INTENT" OF THE OPPONENT, THE SPIRIT OF DETENTE, GROWING ECONOMIC INTERDEPENDENCY, AND SO FORTH. WHEN DETERRENCE FAILS, HOWEVER, AND THE OPPONENT HAS DELIBERATELY WEIGHED THE RISKS AND STILL DECIDED TO ATTACK, THE DIVIDENDS OF A VIABLE DEFENSE ARE UNQUESTIONABLE. BUT UNLESS SUCH A DEFENSE IS ACQUIRED, IS IN BEING, AND IS MAINTAINED AT THE READY, IT IS TOO LATE TO TRY TO REGAIN IT AFTER WAR BEGINS.

WE SIMPLY CANNOT WAIT TO RESTORE OUR MILITARY STRENGTH -- WE MUST DO IT NOW, THIS YEAR, IN THIS BUDGET. THE RAPID AND CONTINUOUS GROWTH OF SOVIET OFFENSIVE MILITARY POWER DOES NOT ALLOW US THE OPTION OF WAITING UNTIL AFTER THE ECONOMY FULLY RECOVERS, OR WAITING UNTIL AN EMERGENCY DEVELOPS.

THE PAST DECADE OF INADEQUATE DEFENSE SPENDING HAS FORCED US TO ACCEPT "DOUBLE DUTY." WE MUST INCREASE THE BASIC READINESS AND SUSTAINABILITY OF OUR FORCES TO BE PREPARED FOR AN IMMEDIATE CRISIS, SHOULD ONE OCCUR. AT THE SAME TIME WE MUST MAKE UP FOR LOST YEARS OF INVESTMENT BY UNDERTAKING THE RESEARCH AND DEVELOPMENT, AND FORCE MODERNIZATION -- INCLUDING THE MODERNIZATION AND STRENGTHENING OF ALL THREE PARTS OF THE STRATEGIC TRIAD -- THAT ARE NEEDED TO MEET THREATS THAT ARE LIKELY TO ARISE IN THE FUTURE. TO DO ONE AT THE EXPENSE OF THE OTHER OR TO STINT ON EITHER WOULD BE TO UNDERMINE THE SECURITY OF THE UNITED STATES AND THAT, LADIES AND GENTLEMEN, I, AND I HOPE YOU, ARE NOT WILLING TO DO.

CHART 1

U.S. AND SOVIET MILITARY INVESTMENT TRENDS

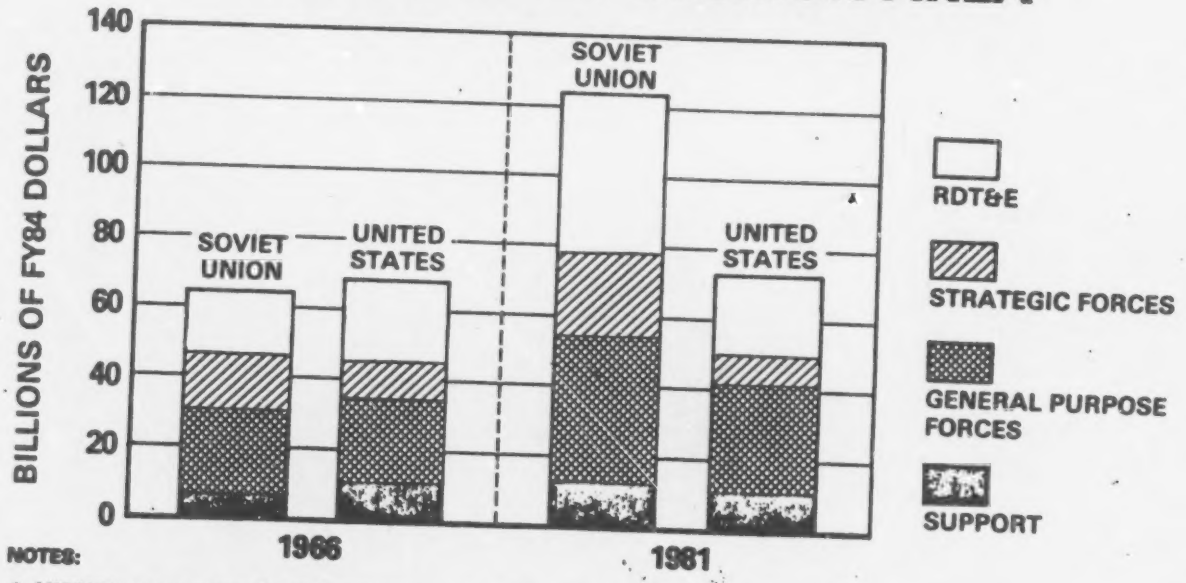


Notes:

- Investment Comprises Outlays for Procurement, Military Construction, and RDT&E
- U.S.S.R. Investment Is an Estimate of What It Would Cost the U.S. to Duplicate Soviet Investment Activities
- SEA: Southeast Asea (Vietnam War-Related) Investments

CHART 2

U.S. AND SOVIET MILITARY INVESTMENT BY MISSION AREA



NOTES:

- MISSION AREA TOTALS INCLUDE OUTLAYS FOR PROCUREMENT AND MILITARY CONSTRUCTION
- RDT&E IS FOR ALL MISSION AREAS
- U.S. INVESTMENTS FOR THE VIETNAM WAR ARE EXCLUDED
- SOVIET INVESTMENT IS AN ESTIMATE OF WHAT IT WOULD COST THE U.S. TO DUPLICATE SOVIET INVESTMENT ACTIVITIES

CHART 3

PRODUCTION OF SELECTED WEAPONS
1974 – 82

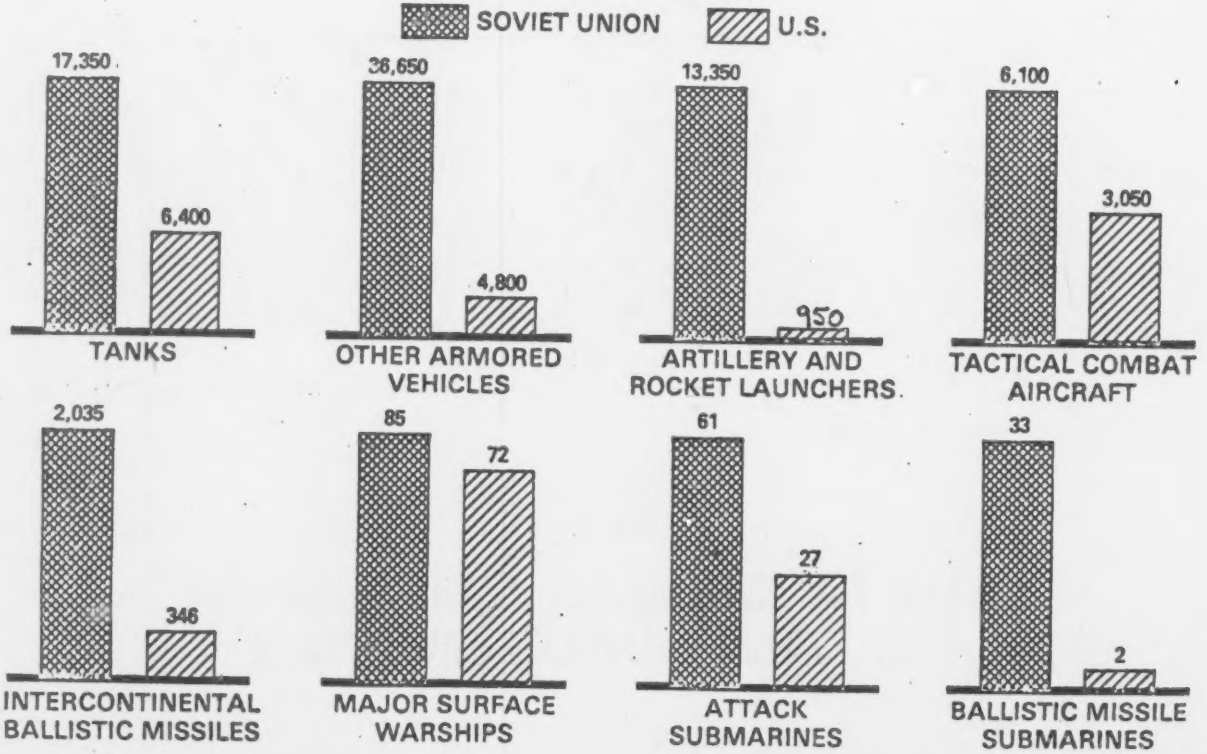


CHART 4

A COMPARISON OF AVERAGE ANNUAL SOVIET PRODUCTION AND FY 1984 U.S. REQUESTS

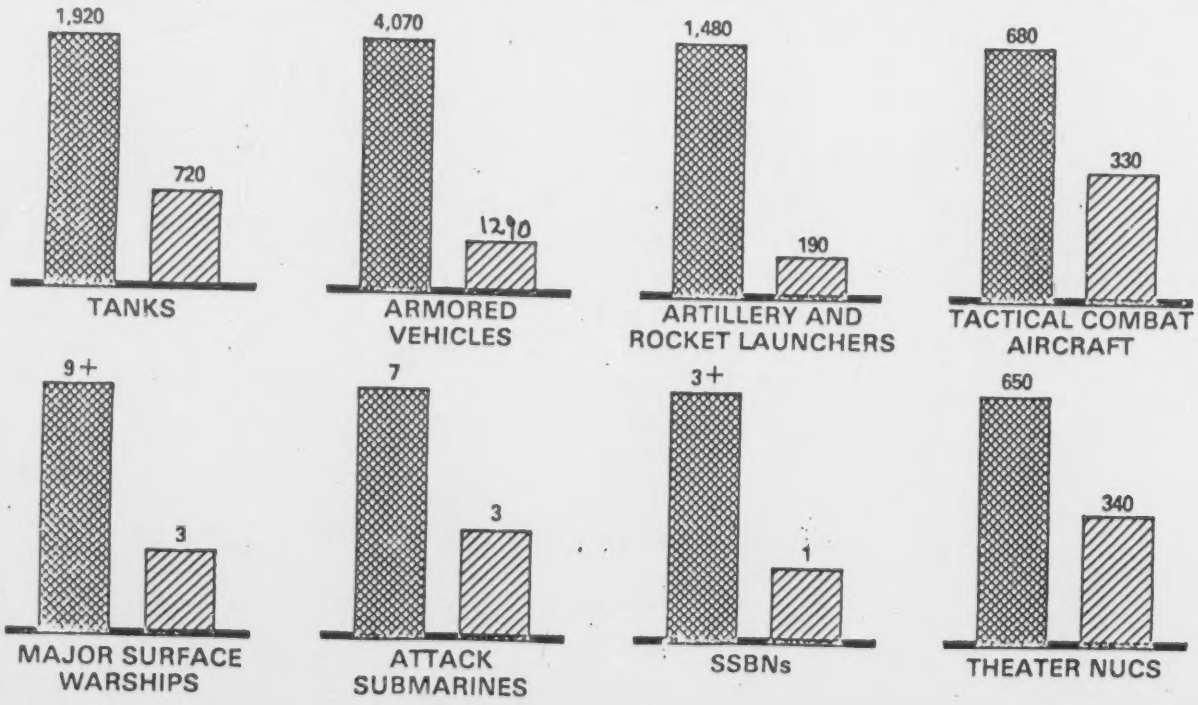


CHART 5

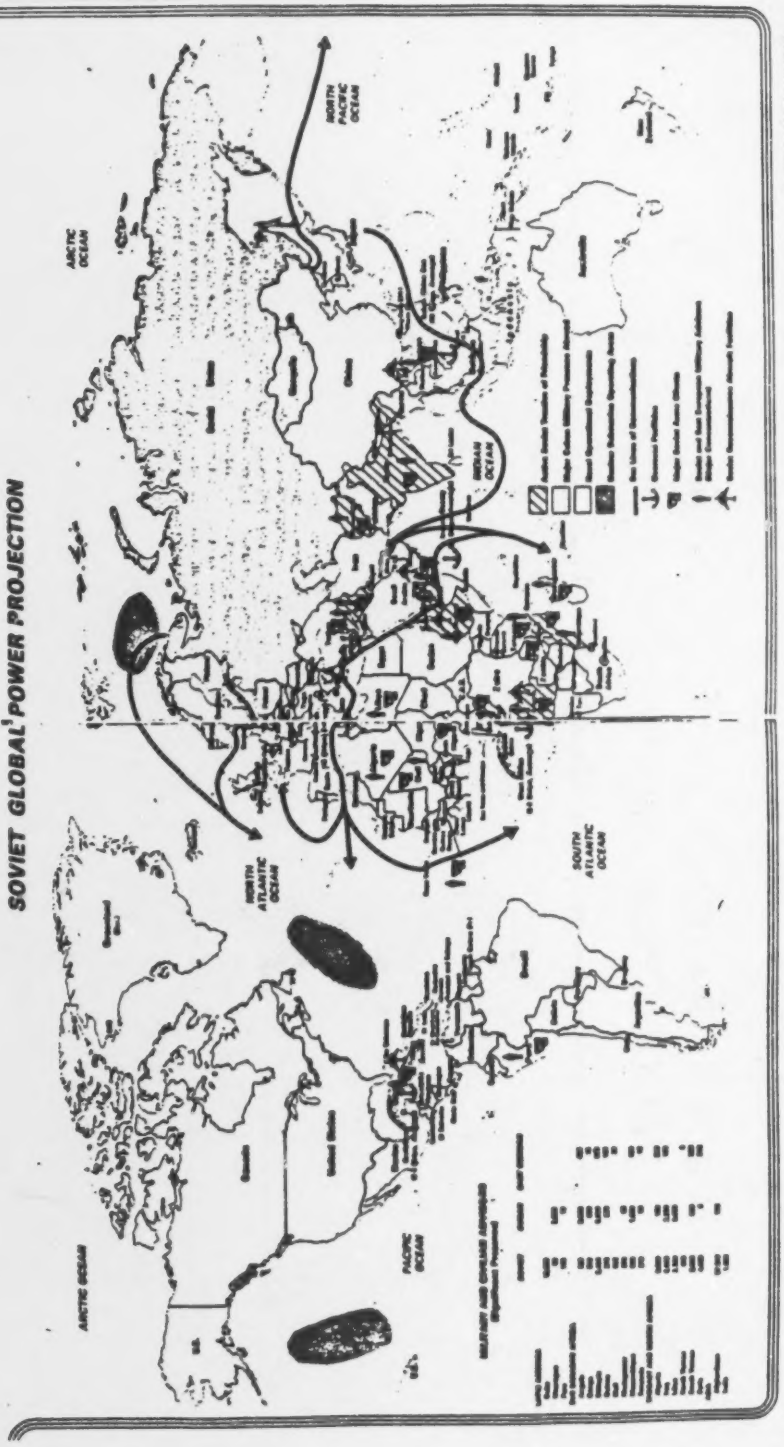

SOVIET GLOBAL POWER PROJECTION
ARCTIC OCEAN
NORTH PACIFIC OCEAN
INDIAN OCEAN
NORTH ATLANTIC OCEAN
SOUTH ATLANTIC OCEAN
PACIFIC OCEAN
ARCTIC OCEAN

CHART 6

COMPARISON OF U.S. DEFENSE OUTLAYS ADDED SINCE THE CARTER BUDGET

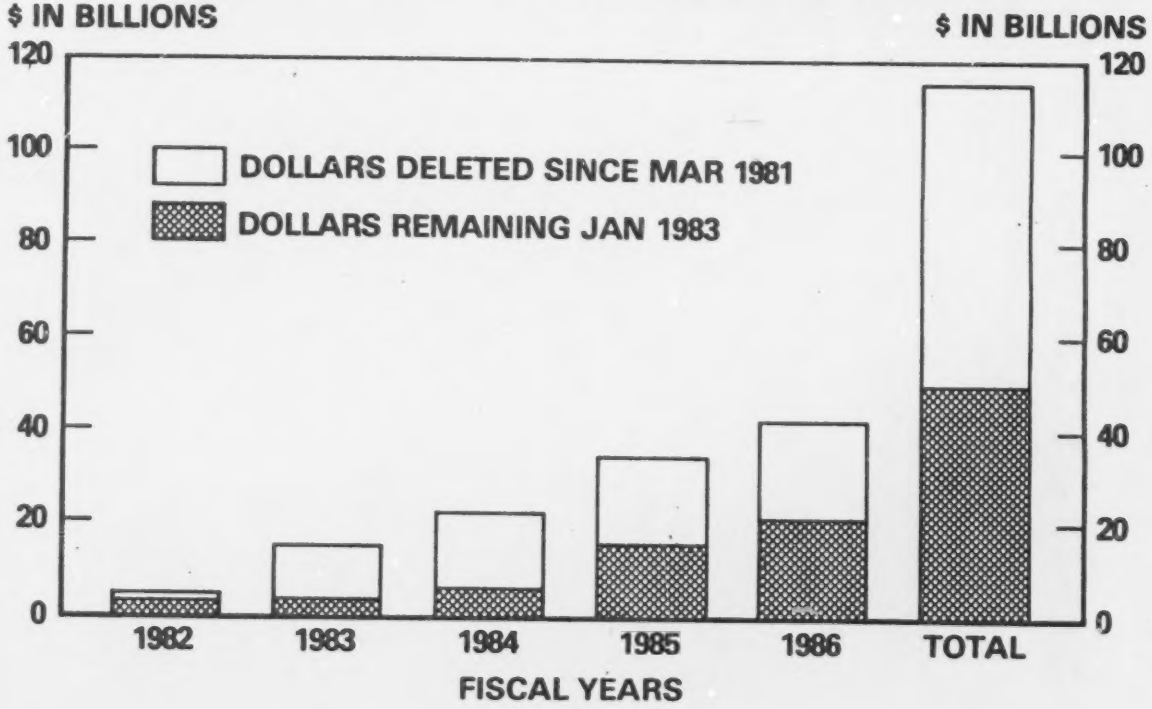
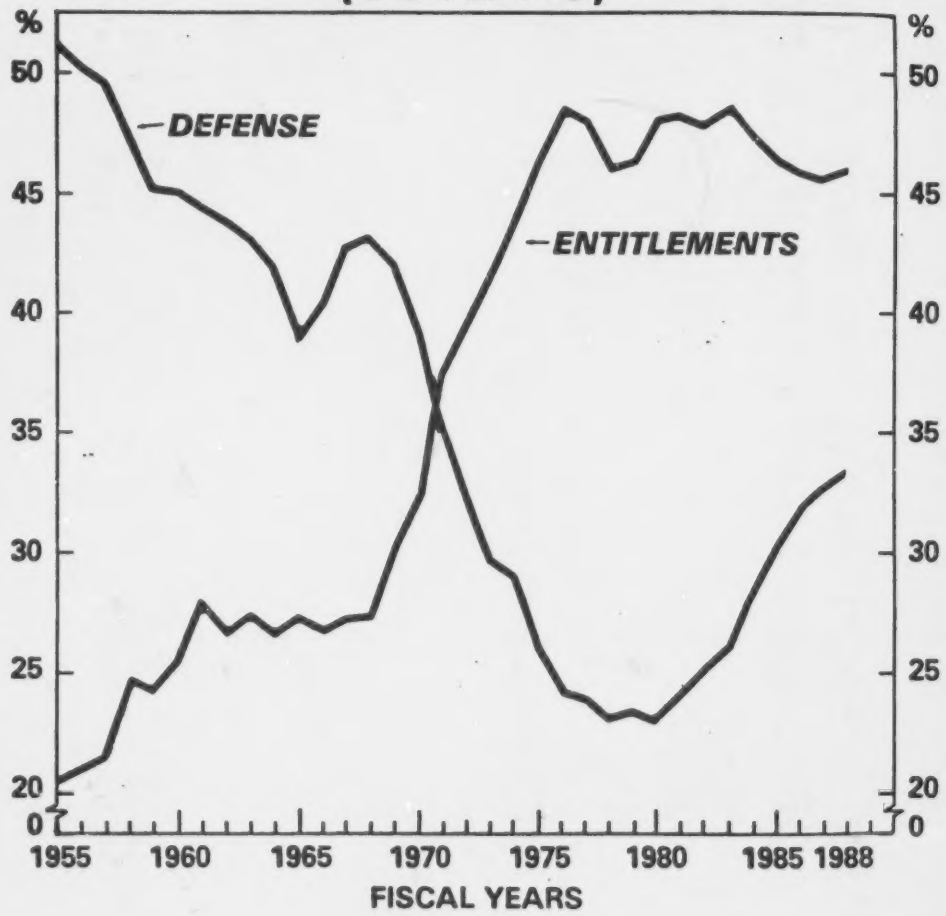


CHART 7

SHARES OF THE BUDGET
(OUTLAYS)



Chairman DOMENICI. General Vessey.

STATEMENT OF GEN. JOHN W. VESSEY, JR., CHAIRMAN, JOINT CHIEFS OF STAFF

General VESSEY. I will be very brief, Mr. Chairman. You have my statement, and I would ask that it be entered in the record.[1] You also have the posture statement from the Joint Chiefs.

READINESS OF OUR FORCES IS IMPROVING

I would say to you that the readiness of our forces is improving as a result of the changed trends in the defense budget. Perhaps the fundamental groundwork of that change in trend has been the improvement in the quality of the people. All the services have begun to solve their noncommissioned officer shortages, and they are well on the way toward solving those shortages. Nineteen eighty-two was the best year that the all-volunteer force had for both recruiting and retention. All services met their goals in both categories. New recruits entering the armed services of the United States were high-quality young Americans. About 85 percent were high school graduates, and about that same number were above average or higher in mental categories.

The Secretary mentioned the pay freeze, but I would like to reiterate that there are things other than pay and allowances that help keep people in the services. The living and working conditions, the facilities that are used, the level and quality of the training, confidence in the equipment, and quality of the leadership all have a great deal to do with the retention of good people in the services; and knowing that they are doing an important job that the people of the United States want them to do, and knowing that they are supported by the people of the United States, and particularly by their Representatives in the Congress.

Readiness also is improving because the maintenance backlog of equipment has been reduced; the flying hours and steaming hours for airplanes and ships have been increased. Our training has been improved. The increased rates of modernization are beginning to reach the forces this year—the tanks, the ships, and the planes.

It is important to maintain that momentum. Military strength is only relative. The Soviets have not been standing still. The graphs and charts that the Secretary showed you show that we are just beginning to change the rate at which we are creeping up on the Soviets, and we are far from catching them.

I would like to point out one thing that perhaps did not come out on the charts, and that is in the strategic nuclear deterrent field, that the Soviets added, just this last year alone, more modern ICBM warheads, MX-quality warheads, than we are proposing to add in our whole modernization program, which puts in some context our attitude toward arms control, as Senator Chiles mentioned.

Both you, Mr. Chairman, Senator Chiles, and the Secretary mentioned the need for the steadiness of purpose in pursuing the strengthening of our defenses. That is important because it is ful-

[1] See p. 47.

filling the needs of our defenses, but it is also important because it helps us do it in the most economical fashion.

LIVING IN DANGEROUS WORLD

Yesterday, I was at a hearing in the House, and during the morning I thought perhaps when I heard some of the members speak, that it was not a dangerous world. But I went back to the Pentagon during the noon hour and read the press reports on what had happened in the world that was reported in the intelligence reports during the morning hearing, and read about Cuban and Soviet-sponsored Communist guerrillas capturing the town of Berlin in Usulutan Province in El Salvador, of Soviet-sponsored Vietnamese forces shelling 30,000 refugees in Kampuchea; the Soviet-sponsored North Korean forces declaring a war alert, obviously for propaganda purposes, and the Soviets adding modern, SA-5 air defense missiles to their forces in Syria. We do, in fact, live in a dangerous world.

The Joint Chiefs of Staff have participated fully in the development of the strategy, and the development of this program, and support it as a balanced program that looks at the readiness needs of today and the dangers that this country will face in the future, and believe that it is a prudent program within the limited resources available.

Thank you, Mr. Chairman.

Chairman DOMENICI. Thank you, General Vessey.

STATEMENT BY
GENERAL JOHN W. VESSEY, JR., USA
CHAIRMAN, JOINT CHIEFS OF STAFF
BEFORE THE SENATE BUDGET COMMITTEE
ON THE FY 1984 DOD AUTHORIZATION
3 FEBRUARY 1983

Mr. Chairman, members of the Committee, I appreciate this opportunity to share with you my views on the defense needs of the nation.

The capabilities of United States forces are improving to face the growing threat. Clearly they are stronger now than at any time in the recent past; many needed programs have been set in motion. We can have considerable confidence in the forces we have, in their readiness, and in their ability to undertake assigned tasks. My confidence has been bolstered by what I've seen of our forces at home and abroad. But military strength is relative. The capability to deter threats against our interests cannot be viewed in isolation. Our posture must be judged against the capabilities of potential adversaries today, and the likely threats of the years ahead. Our national security is far from assured. We need to work together to reduce the risks to our security now and in the future.

The Soviet Threat

Peace in the world and our own security are challenged by the sustained growth of Soviet military power, and compounded by instabilities in many areas of the world--instabilities which are all too often exploited by the Soviets and those who assist them.

Soviet military power is a reality with which we must deal. Soviet military forces are large--about 5 million active in contrast to our 2 million active. Their forces are also well organized, well trained, and well equipped for a full range of military operations.

Soviet forces are designed for offensive operations while at the same time protecting the homeland from attack.

Soviet weapons are good, and the extraordinary Soviet effort in research and development, over 50 percent greater than ours, should guarantee that their weapons will also be good in the years ahead.

The Soviets continue to modernize their forces across the board and at a rapid pace.

Soviet training demonstrates the ability to use the forces effectively.

Strategic Modernization

We and our allies need military forces which, combined with our other strengths, will deter the Soviets from using their forces to threaten our interests. We need to continue the recent momentum in improving the manning, modernization, and readiness of our forces.

Few programs have received the attention now focused on our strategic nuclear force modernization. While we have been debating the need to modernize, the Soviets have been fielding modern systems, and developing and testing the next generation of improvements for their strategic forces. In the past two years, the Soviets have fielded many hundreds of new ICBM warheads with greater accuracy and improved hard target kill capability while we've fielded none. Another measure of Soviet activities in strategic forces can be seen in the test and training launches of strategic ballistic missiles. Last year the Soviets launched about 150 missiles compared to less than one-third that number for the U.S.

The Soviet nuclear threat makes clear the need to give our strategic forces the highest priority in modernization. We delayed modernization, and now we are faced with the need to modernize all legs of our TRIAD at the same time. To maintain our strategic deterrent, we need to go ahead with the prompt

deployment of the PEACEKEEPER missile, TRIDENT submarine, B-1 bomber and cruise missiles.

Theater Nuclear Weapons

This committee is well aware of the details associated with our planned deployment of ground-launched cruise missiles and the PERSHING II missile under NATO's dual track decision of 1979. SS-20s continue to threaten the nations of NATO Europe and the forces of the alliance. Since last February, the Soviets have deployed over 50 additional SS-20 intermediate-range missiles pointed at our Western Allies; we have yet to deploy anything comparable. Our commitment to the elimination of the most destabilizing longer-range systems in Europe was reemphasized by the President just last month. There should be no question about the determination of the United States to strive for an arms control agreement which addresses legitimate security interests of the NATO Alliance. But barring a satisfactory agreement, it's essential that we move forward with plans to deploy the PERSHING II and ground-launched cruise missile.

Arms Control

We should continue to pursue nuclear arms reductions earnestly. Comprehensive, equitable, and verifiable arms reduction agreements could lessen the danger of nuclear war. But we must be guided by Soviet actions, not just their words. It is clear to me that our nuclear weapons modernization programs are needed not only to spur serious arms reduction negotiations and meaningful constraint, but to provide for our security after the negotiations are over.

Alliances

The defense of the United States will continue to depend upon a strong system of alliances and other security coalitions. Our firm commitment to NATO and other allies is consistent with the global defense requirements of this country. Our friends and allies contribute weapons, trained manpower, and

facilities which support us and help defend shared interests.

There is an important interdependency among us. We should continue to refine with our allies the division of labor in our mutual security effort and encourage improvements in readiness and sustainability of combined forces. U.S. and allied forces must continue to strive for a high degree of interoperability. The Joint Chiefs of Staff and major commanders will continue to stress combined training and operations.

Allied host nation support for our forces can assist in implementing the agreed Alliance strategy at reduced costs and it should be supported.

The forward deployment of U.S. air, land, and naval forces remains a key ingredient of our strategy. Such forces demonstrate the strength of the U.S. commitment to collective defense and help provide a forward shield to permit reinforcing our allies when needed. The planned levels of those forces will allow necessary modernization to proceed and preserve their deterrent value.

Strategic Mobility

Our strategy will continue to depend heavily on strategic mobility. Mobility forces work hand-in-glove with forward deployed units to demonstrate our strength and bolster our deterrent capabilities. Today, our strategic mobility is improving, but it is not yet adequate to move and support our forces for the tasks that may be assigned. The airlift and sealift improvements in the budget need to be pursued.

Technology

Sensible use of high technology multiplies the effectiveness of our forces. The size of the Soviet forces dictates that we use technology to overcome part of the disadvantage. We need to field high quality weapons and equipment efficiently and quickly. We must press on with programs which will

allow our forces to maintain a technological edge and we need to get modern equipment into the hands of the troops so we can begin getting the benefits from it. We should lay to rest the notion that U.S. soldiers, sailors, airmen, and marines can't operate modern equipment. At the same time, we need to recognize that modern defense forces require good people. Our manpower programs must continue to be aimed at recruiting and retaining people with the aptitudes and motivations to operate modern weapons.

People

People will remain the cornerstone of our forces. The support of the Congress has been a key factor in the programs that have so greatly improved our total posture over the past two years--programs which reversed downward trends in recruiting and retention. Well trained, highly motivated service members will continue to be the heart of our combat readiness.

Pay and allowances, living and working facilities, the level and quality of the training, confidence in equipment, and the quality of leadership all have a great influence on the retention of good people in military service. This year the President found it necessary for military personnel as well as all other recipients of government payments to forgo pay raises. The Joint Chiefs of Staff understand the President's decision and, with the Secretary of Defense, hope that the action will not cause recruiting and retention to suffer. We cannot afford to commit the same mistakes we made in the 70's if we are to maintain the modern, ready forces this nation needs to deter war.

As you deal with the budget and programs for the years ahead, I urge you to do so in light of the very real security threats the nation faces today and those it will surely face in the future. Much as we might like to do so, we cannot roll back the calendar to days when we could rest safely behind our two ocean frontiers, mobilize our forces to go off and fight our wars in distant lands, and do so in our own time. Our safety and security are inextricably tied to peace in the rest of the world. Military force alone will not guarantee our security, but the lack of sufficient modern, ready military force of the kind needed to deter attack may well guarantee that we could lose our security.

Secretary WEINBERGER. Mr. Chairman, I wonder if I might ask the indulgence of the committee to read a very brief statement that was just handed to me from the President.

Chairman DOMENICI. Sure.

PRESIDENT OPPOSED TO FURTHER CUTS

Secretary WEINBERGER. I would like to convey the fact that the President appreciates the committee's interest in reflecting in its decisions an allocation of resources consistent with our national priorities and commitments overseas. In that spirit, and in order to remove any uncertainty created by any statements or interpretations to the contrary, the President wishes to advise the committee and has reaffirmed to me this morning that in his budget decisions, particularly on the defense budget, he was extremely conscious of the need for economies in all sectors of public spending. It was for that reason that he directed a thorough scrub of planned expenditures for defense. Through this process, we identified cuts which totaled over $11 billion in new authority for 1984.

In the interest of assuring that all sectors share in the hardships and the problems involved, those cuts were made. In so doing, however, the President was and is of the firm view that we have reached the bone, and that any further cuts would do severe damage to our national security. In short, the President this morning has asked me to reemphasize that he is firmly opposed to any further cuts and asks the Committee's help in assuring against them.

Thank you, Mr. Chairman.

Chairman DOMENICI. Thank you, Mr. Secretary.

I am going to be very brief, Mr. Secretary, because you have a very large array of Senators here, and I think that means that they are very interested and very concerned.

ALLOCATING RESOURCES IS DILEMMA

I have a couple of facts I would like to share with you. I think the first one puts in perspective the dilemma that we confront here on this Committee in terms of allocating the resources of this country.

You speak of the original budget proposals and the reductions. I just had a quick run of the GNP expectations for this country when the first 5-year plan was submitted. I think it would startle you to know that the GNP projections for the 5 years are down by $2.5 trillion. That means that the productivity of the United States as reflected in GNP, in the original lines when we projected the military budget needs as you brought them to us, now are working against a total productive base of the country, that by the time we arrive at the 1988 number, will be down $2.5 trillion over what we expected.

Now, you have been at this long enough. You served in various other capacities. I think you know that that puts into perspective some part of the enormous strain that we are going through in terms of allocating resources. That is an enormous diminution in the base upon which and from which we build a military and pay for other needs.

Secretary WEINBERGER. Mr. Chairman, if I might——

Chairman DOMENICI. Of course.

Secretary WEINBERGER. You were kind enough to refer to my other incarnations in Government and the other work that I have done. And what would startle me even more about those projections of the GNP would be if they are accurate.

We have dealt with projections over the years for a long time, and sometimes they are very gloomy, and sometimes they are overoptimistic. We have tried to make, on our assumptions, accurate and honest budgeting based upon honest assumptions, and I do not share that degree of pessimism about the future of the American economy, so obviously, those are big changes.

But these projections, I would think, very respectfully, I should warn, are not things that we can take as gospel.

Chairman DOMENICI. Mr. Secretary, I want to tell you, 2 of the 5 years are already past, so they are real; one is $435 billion, and the other is $234 billion. The rest are projected on the President's budget.

Secretary WEINBERGER. Yes, but it is that rate of increase and speed of the recovery that I think is being seriously underestimated. But I understand the point.

Chairman DOMENICI. Well, we cannot do any better than use the President's estimates at this point; that is what these are.

Secretary WEINBERGER. Well, these are from some parts of the Administration.

Chairman DOMENICI. I understand, I understand.

IMPROVEMENT IN INFLATION SITUATION HELPS

I just want to give you one more and see if it has any relevancy. I added up the inflation expectation in the 5-year Carter budget, 1982, 1983, 1984, 1985, and 1986, and then I put down your latest, Mr. Secretary, inflation expectation. I find that the Carter budget had between 12.5 and 13 percent more inflation built into it than you expect. Would it be fair to assume that to some extent, if yours are right, that that does add some significant amount of money to the Carter budget that is available to you that you would not have otherwise expected?

Secretary WEINBERGER. Well, Mr. Chairman, yes, it adds some. The problem with the Carter budget, as I said, was underfunding, so even with a vastly improved inflation picture which we have now, there was still not enough to do the things that his administration proposed.

Improvement in the inflation situation does help, without any question, and some of that $116 billion was taken out. The $66 billion reflects our current estimates of the lower costs of a lot of the things we will have to buy, and that is entirely proper. We obviously do not want to spend a penny more than we have to, and the more the inflation picture improves, the better everybody likes it. It has improved beyond expectations, and that does reduce what is needed.

But there were a lot of other reductions that were made in that $66 billion that was taken out, and those are the things that I am

talking about. Plus, never forget the decade of the seventies, we were at a 20-percent funding shortfall through that whole period.

Chairman DOMENICI. My last question is one that I would hope you would respond with by way of submitting to us.

Secretary WEINBERGER. Surely.

Chairman DOMENICI. Would you furnish us with a summary of the procurement account, that shows the average increase in budget authority and outlays per year for the next 5 years?

Secretary WEINBERGER. Yes.

Chairman DOMENICI. Break it down into two general groups—strategic and other. Break the "other" into some understandable number of groups with appropriate identification, and tell us how much each is increasing each year.

Secretary WEINBERGER. Yes, I will. I will get it to the point where I can understand it, and then will transmit it to the committee.

Chairman DOMENICI. Thank you very much.

[The following was subsequently received for the record:]

Summary of Procurement
By Five-Year Defense Program Mission Area
($ Billions)

Category	Fiscal Year 1983	1984	1985	1986	1987	1988	Average Percent Change From Prior Year
DoD Topline Procurement Estimate:							
Budget Authority	80.3	94.1	119.7	136.4	150.5	170.4	+16.4
Outlays	55.3	68.6	86.3	103.8	117.6	131.5	+19.0
Five-Year Defense Program Procurement Component:							
Budget Authority	80.3	94.1	122.7	134.7	146.5	168.5	+16.2
Outlays	55.3	68.6	86.1	105.3	122.0	135.4	+19.7
Required Adjustment to Five-Year Defense Program Procurement Component: 1/							
Budget Authority	-	-	-3.0	+1.7	+4.0	+1.9	+.2
Outlays	-	-	+.2	-1.5	-4.4	-3.9	-.7
Detail of DoD Topline Procurement Estimate:							
Strategic Forces:							
Budget Authority	11.2	18.9	23.8	23.0	18.2	20.4	+16.5
Outlays	6.7	9.9	15.0	19.7	21.0	19.9	+27.3
General Purpose Forces: 1/							
Budget Authority	56.3	60.4	75.9	92.5	108.2	124.0	+17.3
Outlays	38.5	47.0	57.3	67.1	77.2	89.1	+18.3
Intelligence and Communications:							
Budget Authority	7.0	7.8	10.8	11.2	13.0	14.4	+16.1
Outlays	5.1	6.4	7.8	9.3	10.8	12.6	+19.9
Airlift and Sealift:							
Budget Authority	1.9	2.7	3.8	4.0	4.4	3.2	+14.2
Outlays	1.2	1.6	2.3	3.2	3.7	3.9	+27.4

Category	Fiscal Year 1983	1984	1985	1986	1987	1988	Average Percent Change From Prior Year
Guard and Reserve:							
Budget Authority	1.1	.8	.8	.7	.8	1.2	+4.9
Outlays	1.4	1.1	.9	.8	.8	.8	-10.1
Central Supply and Maintenance:							
Budget Authority	1.5	1.7	2.3	2.1	2.5	3.5	+19.8
Outlays	1.3	1.4	1.5	1.9	2.1	2.5	+14.2
Training, Medical, and Other General Personnel Activities:							
Budget Authority	.9	1.1	1.5	2.1	2.5	2.9	+26.7
Outlays	.7	.8	1.0	1.3	1.8	2.3	+27.1
Administration and Associated Activites:							
Budget Authority	.3	.3	.4	.3	.2	.3	+5.0
Outlays	.2	.2	.4	.4	.3	.3	+15.0
Support of Other Nations:							
Budget Authority	.2	.1	*	*	*	*	-30.0
Outlays	.3	.2	.1	.1	*	*	-37.0
Defense Production Act Purchase: 2/							
Budget Authority	-	.2	.3	.5	.5	.5	+29.2
Outlays	-	-	*	*	*	.1	+20.0

*Less than $50 million.

1/ Adjustment is required to bring Five-Year Defense Program procurement detail into agreement with the DoD topline procurement estimate. For this analysis, the adjustment is arbitrarily applied to the General Purpose Forces mission category. In actuality, a competitive process will take place which will insure that marginal programs will be deferred/deleted.

2/ Not distributed by specific F-YDP mission area.

Chairman DOMENICI. Senator Chiles?

NO LOGIC TO STIMULATION BY UNNECESSARY SPENDING

Senator CHILES. Mr. Secretary, it just sounds like to me that under your logic, if we did anything to cut this defense budget, we would hamper the recovery, because we would lay off so many people, and we would lose so much revenue. If that logic is correct, the best thing that we could do now with this deficit would be to double the defense budget, would it not?

Secretary WEINBERGER. Well, sir, I do not think so at all, because I have tried to preface my remarks as carefully as I could that you should not spend any more for defense than you need, regardless of whether it has a stimulative effect or not. The simple fact of the matter is that it does not hurt the economy. But you should not spend any more than is absolutely required, and that is the budget that is before you.

It will not hurt the economy. I do not want to spend any money to stimulate the economy that we do not need. We are suffering too much from that now.

Senator CHILES. Well, it would not hurt the economy if we added a lot more to it, then?

Secretary WEINBERGER. I do not think there is any logic to stimulation by unnecessary spending. I have inveighed against that since long before I first came to Washington, and we have done too much of that. I guess the short way to sum it up is that I am not a Keynesian.

Senator CHILES. I listened to your statements and looked at all your charts on how you have cut your projections, and all of those cuts are based on numbers that you all originally came up with, are they not? I want to tell you that I got a real distorted feeling when I was told that you made $55 billion in cuts, and then I see that, in effect, from where we were last year, we do not have $55 billion in cuts over the 5 years, instead we have $83 billion more in increases.

Now, in addition to all of the President's numbers, we also have some numbers that are generated by the resolutions, by the law of the land. What we passed last year contained a cut for defense for last year, and it contained 2 following years, and that is where we build our baseline; that is our budget authority; we use that for every program. And yet now, we are told we cannot use that on defense, or it is not right to use that on defense, but we use it on every other program.

REQUEST IS RIGHT ON LINE

Secretary WEINBERGER. Senator, I think you will find that the 1984 request is right on line with the resolution that was passed by the committee, the second resolution, and cuts were made in our budget last year, more than we thought should be, and we are right on the authority and outlay figure that the committee picked in that second resolution of last spring.

Senator CHILES. The baseline figure for authority for those numbers would be $278.3 billion for budget authority, and $242.1 billion for outlay numbers.

Secretary WEINBERGER. Yes, and our numbers are $273.4 billion and $238 billion, respectively.

Senator CHILES. Well, I am talking about function total, and I have your numbers as $280.5 billion and $245.3 billion, a difference of $2.2 billion over in budget authority and 3.2 over in outlay authority.

Secretary WEINBERGER. You are using different figures. You are using some of the things that include the Department of Energy expenditures, too. But even so, the basic budget, with some of the things that are required and developed since the resolution of this committee, bring it very close to within line. But on the defense figures, which are what I understood was in the resolution of the committee, we are right online; in fact, we are a little under it.

Senator CHILES. Well, but the rhetoric was that you are $11 billion below, that you made a cut.

Secretary WEINBERGER. No, Senator, not $11 billion below last year or anything of that kind. We cut from the projections, from the figures that we felt were essential, and we did go through it. We found, that inflation had improved the situation. There was a decision to put a Government-wide pay cap on, and there was also a reduction in some of the programmatic expenditures for 1984, and all of those total $11.3 billion in authority.

Senator CHILES. Mr. Secretary, there is where the distortion is. There was a debate that went on for weeks within the Cabinet, with Republican leaders from the Hill going to tbe White House, continuing conversations that the defense budget was going to have to be cut.

Then there was an announcement. "We have made this cut." And then the President made it in his state of the Union speech: "We have made this cut."

Secretary WEINBERGER. Yes, sir, it was a cut.

REDUCTION CAME FROM ORIGINAL PLANNED AMOUNT

Senator CHILES. Well, now, certainly, the American people feel that that cut was made from what would be the existing costs, not from what would be your estimate of what the defense needs should be.

Secretary WEINBERGER. Senator, maybe we don't understand each other, but there is no way in which the defense budget for 1984 could be less than the defense budget for 1983. There is no way I could sit here and fulfill, even partially, my responsibilities.

Senator CHILES. I am not saying that there is any way. I am saying what you said. I am saying what was said to the American people.

Secretary WEINBERGER. There was a reduction from the original planned amount, from the amount that had been already reduced three times for 1984. The President himself never accepted the figure set by the committee, as indeed, he is not required to do. The President makes up his own budget, as he is constitutionally required to do, and submits it to you. He accepted the figure for 1983. The Congress cut under that, substantially. And we now make up the new budget. The new budget is made up with an $11 billion reduction from the figure that we thought and the President original-

ly felt was necessary, and part of that is because of lower inflation; part of it is because of the pay freeze program that the President put in for the entire Government.

Senator CHILES. Well, Mr. Secretary, if we could go back, we have the President's budget which was submitted last year. That budget did not receive a single vote in this committee. The Republican members of this committee then wrote a budget. There was some controversy as to whether that budget could pass or not. They went to see the President. The President said that he would accept those numbers, that he would argue for those numbers. The House then took those numbers and then passed them.

Now, we can go through a torture thing as to whether the President has a right to submit new numbers this year, and I would have to agree that he does——

PRESIDENT UNWILLING TO ACCEPT NUMBERS BEYOND 1983

Secretary WEINBERGER. Senator, I sat in on three meetings with congressional leadership, bipartisan and Republican, in which the President reasserted at each meeting his unwillingness to accept any numbers beyond 1983. He said many times that he would not know conditions or requirements at that time, and of course the Congress had the right to put any numbers in they wanted in 1984, 1985, or 1986, but he would not accept anything beyond 1983, however, he would accept the 1983 numbers, and that was the compromise that he made.

Now, even those numbers were cut by the final action of the Congress on the bill last December.

Senator CHILES. Well, I have the clips—and Mr. Chairman, I would just like to put them in the record—showing all the remarks of the Republican Senators and their concern at the time, that they felt that what had been the agreement was not passed, but given the right that the President has even though many of us feel like we had a 3-year deal that we were talking about when we were urged to pass the appropriation—given that, now to come back and say to the American people in the state of the Union message and in the others that we have made a cut in defense, I again say to you that everybody had the feeling that you were talking about a cut in defense from where you were, that there had been an accepted cut in defense, and now, we find that is not true at all, it was only a cut in your planning numbers, where you felt the cuts should be.

[The following was subsequently received for the record:]

[From the Administration of Ronald Reagan, July 28, 1982]

DEFENSE SPENDING

QUESTION. Mr. President, how firmly committed are you to the military budget projections for 1984 and 1985 that were part of the February budget proposal? And in particular, would you be willing to go along with somewhat lower military budget projections, such as those passed by the Congress last month?

The PRESIDENT. This is a question, Judy [Judy Woodruff, NBC News] that what I've said is that I reserve the right to have the flexibility with regard to individual programs. In 1983, we settled on that and what the figures would be. And there was some decrease in the military budget. But I don't feel bound by—while I feel bound by the overall figures, the projected deficits and the projected overall cuts and so forth to try and reduce those, I feel bound to stay within those. But I feel that I

should have the flexibility based on when that time comes to come forth with the 1984 budget to delegate that spending to programs based on what I feel the needs are.

QUESTION. Just a followup, Mr. President. When some of your Republican allies in the Senate were asked about reports about this today, Senator Dominici, for example, accused you of reneging on a commitment, and Senator Dole said that now is not the time to be backing off spending cuts.

The PRESIDENT. I'm not backing off of spending cuts. We'll be within that figure. As a matter of fact, it's my determination that that'll even be a—the total figure will be smaller, because we still have much further to go in reducing the increase in government spending.

[From the Washington Post, July 30, 1982]

HILL GOP SEEKS REAGAN SHIFT ON DEFENSE BUDGETS

LEADERS RESPOND ANGRILY TO HIS STANCE ON 1984, 1985

(By Helen Dewar and George C. Wilson)

President Reagan's refusal to accept defense spending limits set by Congress for fiscal 1984 and 1985 set off a strom of Republican protest yesterday and House and Senate GOP leaders, in a rare open break with the president, said they will ask him to reconsider his position.

The fight broke out amid mixed signs as to Congress' new mood on defense spending. On the one hand, the House passed a final money bill for this fiscal year that gives the Pentagon $2 billion less than it requested, while also refusing $115.5 million in foreign military assistance, and the House Appropriations Committee recommended almost $1 billion less for the military in fiscal 1983 than Congress left room for in its budget.

In both actions, domestic spending was slightly increased while Reagan's big proposed buildup in defense was modestly cut. He appears to want to move in the opposite direction.

The House also voted last night to shave 1 percent—about $1.7 billion—off a $177 billion defense authorization bill for next year.

But then it passed the $175.3 billion measure, which even in its shaved version was an impressive victory for the president on defense policy. The bill's easy passage, 290 to 73, indicated that, while there is still disagreement over exactly how large the defense buildup should be, the president has largely prevailed on the basic point that there should be such a buildup even as there is retrenchment on the domestic side.

Reagan triggered yesterday's angry response—intense even among his strongest supporters—when he told a news conference Wednesday night that, while next year's defense figures were now nailed down, he did not feel bound to keep defense spending for the two following years within limits of the budget that Congress adopted and he embraced only a month ago.

"How the hell is he going to spend more than we way he can?" asked House Minority Leader Robert H. Michel (R-Ill.) after a party caucus during which several members complained that Reagan was ignoring curbs on military spending while demanding that Congress toe the line on domestic spending.

Describing himself as "disappointed" Senate Majority Leader Howard H. Baker Jr. (R-Tenn.) said Reagan's news conference assertion could undermine support for budget compliance in Congress—a point also made by Senate Budget Committee Chairman Pete V. Domenici (R-N.M.).

The fear of some critics was more specific: that Reagan, by agreeing to abide by budget totals but reserving the right to adjust component parts, intended to press in 1984 and 1985 for more defense spending at the expense of deeper reductions in social welfare programs, which are already sustaining severe cutbacks.

A letter was being circulated for signatures in the House by Rep. Olympia J. Snowe (R-Maine) asserting that any breach of defense limits could "unravel the progress" already achieved in cutting federal spending.

"Reductions in federal spending . . . must be shared by each sector of the federal bureaucracy if we are to gain control over our economic destiny," the letter said. "Defense spending must not be sacrosanct." An aide to Snowe said she had gotten 34 signatures by late afternoon.

While Snowe is a moderate "Gypsy Moth" who has questioned defense spending levels all along, criticism came from more conservative quarters as well. Reagan's position "doesn't help our problem" of getting Congress to comply with the specific spending cuts called for in the budget, said Rep. Delbert L. Latta (R-Ohio), ranking Republican on the House Budget Committee. "They [the White House] might want to rethink that."

An aide said Michel wrote a note to Reagan "conveying the sentiments of our members," while Baker talked with White House chief of staff James A. Baker III and asked to talk personally with the president, whom he had still not reached by early evening. An aide said Sen. Baker would ask Reagan to review his position, and Michel said he intended to do the same.

Baker and others expressed bewilderment as to why Reagan did what he did, especially now. There has been a dispute within the administration for months over whether Reagan should pare back his defense buildup to help reduce future deficits and win support for his other budget proposals.

Reagan seemed to agree to do this in endorsing the congressional budget resolution. That was an internal victory of sorts for budget director David A. Stockman and James Baker, who had urged such accommodation. But conservatives led by Defense Secretary Caspar W. Weinberger—reportedly aided by national security adviser William P. Clark—continued to press Reagan to stick with his original figures for defense for 1984 and 1985. And in the mid-year budget review just completed, in which these issues came to a head, the conservatives apparently prevailed.

Reagan was said yesterday to have gone to the unusual lengths of sending a firmly worded letter to Stockman providing "final guidance" and settling the dispute.

The Pentagon's loss of $2 billion from requested spending for the rest of the current year ending Sept. 30 was contained in a supplemental appropriation bill for nearly $14 billion that did, however, include funds for military as well as civilian pay raises granted last October.

What was refused were assorted military expenditures that either had not been authorized or could wait until next year, according to Rep. Silvio O. Conte (R-Mass.), ranking Republican on the Appropriations Committee.

The Appropriations Committee recommendation to allow $1 billion less than what was budgeted for defense next year was in the form of guidance to its subcommittees. Rather than go along with the $238.6 billion ceiling for defense in the budget, the Appropriations Committee advised its defense subcommittee to stay within $237.6 billion.

The lower target is not binding but serves as a preliminary division of the budget among major categories of spending. While defense lost, agriculture, energy and water development and the District of Columbia were among the gainers. The increase for agriculture included additional funds for food stamps.

[From the New York Times, Aug. 4, 1982]

Reagan-Congress Rift Seen on Military Spending

Washington, Aug. 3.—In challenging Congress on the issue of future military spending, President Reagan is risking a costly long-term breach with some of his most important allies in Congress and sharpening an institutional confrontation that could dog him through the rest of his term.

Privately, some senior Senate Republicans warn that if Mr. Reagan goes ahead with his announced intention to increase military spending in 1984 and 1985 beyond agreed-upon goals, he will not only add to future budget deficits, but leave Congressional allies feeling that he has welshed on a legislative deal and thus undercut their loyalty to his future efforts to cut nonmilitary spending.

The successes of the first Reagan year on budget and tax legislation were built on a solid working partnership with Congressional Republican leaders and winning over a couple of dozen conservative Democrats in the House of Representatives. Early this year, that coalition splintered over the first Reagan budget for 1983 but came together again in June at the initiative of Senate Republican leaders. Now, once again, it is in trouble.

For the President's bold assertion last week about "reserving the right" to increase military spending—echoed today in Senate testimony by David A Stockman, the director of the Office of Management and Budget—has brought cries of double-dealing not only from Congressional Democrats but some Republicans as well.

UNDOING EVERYTHING

"It looks like to me the President will make a deal to get the Congress to pass it, but once the deal is made, he is not bound," Senator Lawton Chiles, a Florida Democrat, complained to Mr. Stockman.

"You are undoing everything this committee has tried to do," said Mark Andrews of North Dakota, a Republican member of the Senate Budget Committee. "The basic need we have in the country is to get firm out-year figures," he said of projections for future years. "We can't, if the Administration continues to waffle. How can we continue to have the impact we want to have if you continue to slip, shade and duck in the out years?"

Even more bluntly, Mark O. Hatfield, the Oregon Republican who is chairman of the Senate Appropriations Committee, accused the President of a "breach of faith" that would make Congressional appropriations committees more prone to trim back 1983 financing for long-term military projects such as recommissioning battleships or starting a $6 billion chemical warfare program.

Battles between the White House and Congress over the power of the purse are hardly new. Almost every Administration has iced them. The irony in the current situation is that now it is Congress trying to discipline the President to stick to agreed-upon spending limits rather than the President trying to discipline Congress, as was so often the case in the past.

M'NAMARA' PRACTICE

In this perennial institutional power struggle, Robert S. McNamara, Secretary of Defense in the Kennedy and Johnson Administrations, developed the practice of formulating five-year projections of military spending to bring greater order to long-range planning for weapony and manpower. This was also a tool to influence Congress.

The process proved so useful that it was incorporated as a concept into the Congressional Budget Act of 1974, which required Congress not only to pass an overall budget for the approaching fiscal year, but also to make projections for the next two years, known as out years.

In 1981, President Reagan and his budget director, Mr. Stockman, shrewdly used that legislative leverage not only to achieve immediate budget cuts but also to force long-term reductions in Federal spending.

But this year the roles are reversed. Many moderate Republicans, facing re-election in a recession, balked at making still budget cuts in nonmilitary programs while the President was pushing for huge increases in military spending.

To win their support, Republican leaders such as Howard H. Baker, Jr., of Tennessee, the Senate majority leader, Pete V. Domenici of New Mexico, chairman of the Senate Budget Committee, and Robert H. Michel of Illinois, the House Republican leader, got the White House to agree to trim back military spending in 1983, 1984, and 1985. The latter two years were especially important because past commitments on weapons programs make it so hard to bring about cutbacks in the very next year.

LEADERS DISHEARTENED

So, far, the Republican leaders have been less tart in their public reactions than others have. But they have been disheartened that even before Congress finishes off the 1983 budget, the Pentagon is drafting a 1984 military budget of $247 billion—$4 billion more than had been agreed on in June—and Mr. Stockman is already defending it on Capitol Hill.

"It was injudicious to submit it at this point," Mr. Domenici said diplomatically. Some Republicans close to the leadership suggested this move could complicate the 1983 budget process; others suggested the real backlash could come in 1984, when the President seeks new deals with Congress.

"The damage may not be apparent now, in the next week or two, but next year when people start asking whether the White House will stick with the numbers they agree to," said another Republican.

In a very real sense, Mr. Reagan is falling heir to a problem and even an institutional pride that afflicted former President Carter and complicated Mr. Carter's relations with Congress. Now, like Mr. Carter, Mr. Reagan is jealous about not surrendering Presidential budget prerogatives to Congress.

A QUESTION OF TIMING

The fear among some Republicans is that Mr. Reagan may not be fully sensitive to the political costs of this maneuver, although he is said to have been forewarned

by Mr. Stockman and James A. Baker 3d, the White House chief of staff, that it would rankle Congressional allies.

Some Republicans contend that the President has the authority to take these steps but that his timing is bad. Senator Domenici observes that all future budget figures are only targets, not legally binding, but asserted that they tend to become rigid in the minds of Pentagon planners and thus hard to reduce.

Some veterans discount the budding controversy with the observation that in budget battles, each side turns the legislative machinery to its own purposes and squawks when others resist.

Secretary WEINBERGER. All we ever had, Senator, was planning numbers. We had the planning numbers that we came in with. We changed those planning numbers and submitted the revised ones to the Congress in March 1981, and we have made $66 billion in reductions.

Senator CHILES. And all your statements about that, I think, misled the American people.

Secretary WEINBERGER. I do not see how they could when the President repeatedly said that he could not accept any defense numbers beyond 1983, because quite properly, he could not estimate the situation that would be required.

Senator CHILES. If you recall, Mr. Secretary, we cut medicare for 3 years, we raised taxes for 3 years. We are told now that the 3-year tax cut is inviolate, that we cannot change it, and yet everything else has been done.

Secretary WEINBERGER. Senator, I think if you really want to do damage to the economy, then tampering with the tax cut is the way, because that is one of the things that I think will bring a greater recovery than the rather gloomy predictions the chairman quoted.

Senator CHILES. I yield.

Chairman DOMENICI. Thank you, Senator Chiles.

Senator Grassley?

Senator GRASSLEY. Mr. Chairman, I have a statement on underfunding of military programs and that problem, that I want to put into the record. I do not want to go into reading that at this point.

Chairman DOMENICI. It will be made a part of the record.

PREPARED STATEMENT OF SENATOR GRASSLEY

Mr. Chairman, some disturbing studies have come to my attention, and to the attention of other members of this committee. These studies point to a serious underfunding problem in the Defense Department.

The reports are diverse, yet all point to the same conclusion. I will have more to say about these studies later, as will other Senators, I am sure.

If there is an underfunding problem in DOD, Mr. Chairman, as all these studies conclude, then the implications are the following:

Either the quantities represented in this year's budget request by the administration, for fiscal years 1984 and beyond, cannot be bought for the amount stated, and therefore would require significantly more funding, or the administration's long-range defense plan must be reduced.

Mr. Chairman, there is a mountain of evidence which points to this underfunding problem. The general agreement is that the problem is grave.

I am concerned about this, as are other members of this committee. Because where there is smoke, there may be fire.

The evidence is compelling enough to justify a looking-into by this committee. We must have more details of the nature of this problem if we are to make a responsible assessment of defense spending needs.

If the reports we now have are true, Mr. Chairman, then our long-term defense plan may be headed down the drain. We will have been squandering precious resources.

If there is such a disease within the Department of Defense, then we must identify it and cure it.

The defense request from the administration in the new budget would increase an average of 12 percent a year from 1983 to 1988. Outlays would leap from 29 percent to the total budget this year, to 34 percent of the budget by 1988.

Yet, if these studies are correct, those billions of dollars will buy us absolutely nothing.

In light of the studies I have seen, and the analysis contained in them, it is my feeling, and the feeling of others present here today, that it is incumbent upon the Defense Department to demonstrate a need for this money.

The members of this committee represent different States, Mr. Chairman, but in the case of funding this defense budget, I think we are all from Missouri.

Senator GRASSLEY. Mr. Secretary, it is nice to be here with you face-to-face. I have been visiting with you on the phone in the last couple of weeks, on my interest in this underfunding problem. And you would be disappointed if I did not discuss that with you today, I am sure.

Secretary WEINBERGER. Not at all, Senator.

Senator GRASSLEY. So I am not here to disappoint you. And I think I can legitimately say that I do not have to take a back seat to more than three or four Senators in my support of this administration. I think that we Republicans came into office to change the usual procedure in not only the Congress, but in the executive branch of Government, as well. And so I hope, following my interest in spending taxpayers' money wisely, as well as your interest, that you are as disturbed with the reports as I am about the serious underfunding problems.

Now, these reports imply either a lot more money is needed, or that we are going to have to drastically reduce spending in our defense plan, or at least, stretch it out. Now, you probably have a stack of news reports thicker than I do on the whole subject of cost overruns and how the work of Mr. Spinney fits into this. These accounts say that the Spinney report reveals underfunding problems.

I would like to know whether you have personally sat down with Mr. Spinney, as opposed to having people under you visit with him, in determining whether or not his position is valid or not?

SERIOUS FLAWS IN SPINNEY REPORT

Secretary WEINBERGER. I have examined his work. I found serious flaws in it, and I would be glad to go over those with you.

What he is talking about, Senator, are factors that produced underfunding overruns, and overpayments, in a number of programs on an historical basis. The five factors that were present in some of the programs that were looked at in that analysis was a failure to budget properly, one-time costs, such as initial orders of spares, or failure to produce sufficient support equipment, test equipment, and things of that sort.

Senator GRASSLEY. Mr. Secretary, I have got the standard response that DOD gives to this, and so I guess I would like to know, did you sit down personally with Mr. Spinney?

Secretary WEINBERGER. No, I did not see any need for that, because I had the work before me; I saw the flaws in it, and I believe that most of the things that he is talking about have been corrected or are being corrected, and therefore, to project future trends on

the basis of some projection that all the future errors are going to continue has no validity to it.

Senator GRASSLEY. Well, how can you say, then, if you have not sat down with Mr. Spinney himself, that you can really make the conclusive statements that you make?

Secretary WEINBERGER. Well, I have to assume that all of the things that he wanted to convey were put in his various reports and statements, and I did see those. I do not feel compelled to have to sit down and talk with any specific individuals. I have the material that they have prepared.

Senator GRASSLEY. Are you aware of the Margolis study, which is an internal study within DOD, that speaks to and agrees to the conclusions of the Spinney report?

Secretary WEINBERGER. If you take erroneous projections out into the future, you can get almost any kind of conclusion. Those erroneous projections are the assumption that certain errors of the past are going to be continued out into the future, and those are the exact things that we have changed and are changing.

So, while anybody can sit down and say that because all these things were wrong before, it will lead you way out here in the next 10 years, if you continue them, but to assume that they are going to continue constitutes the error of the analysis.

FACTORS BEING CORRECTED THAT LED TO UNDERFUNDING

Senator GRASSLEY. Well, what about the mounting evidence, not only Margolis' comments on Spinney, but we have now the Khune report by the Heritage Foundation as an example; we have CBO's analysis of terrible underfunding problems. It just seems to me like there is mounting evidence, and doesn't this evidence, regardless of your study of it, give you some concern?

Secretary WEINBERGER. Of course, it does, and that is why we changed the factors, which I started to present to you, that have caused a lot of this underfunding in the past. For one thing, there was not nearly close enough supervision of the actual execution of the contracts. We have regular meetings now, sometimes as often as every 2 weeks, on the major programs. In addition there was not a sufficient effort, in my opinion, to get the kind of contract that can prevent a lot of this and caused altogether too much of the risk of overruns on the Government, rather than the contractor. Those are things that have been changed. And to sit down and say that because you had a lot of factors that were present in the 1970's or the 1980's and that you are going to follow all of those in the future, that certainly will lead you to a continuation of overruns. We have some overruns coming in now—programs coming to fruition after being several years in development—too long in development—that took place because of all of these things.

What we are trying to point out, Senator, is that we have corrected and are correcting a great deal of these factors that led to the underfunding, the overruns, of the past, and that is what I think is the important thing.

AFFORDABLE ACQUISITION APPROACH

Senator GRASSLEY. Well, have you heard of a report called, affordable acquisition approach from the Air Force?

Secretary WEINBERGER. Yes, I have seen that.

Senator GRASSLEY. Let me explain to the committee that this report came as a result of the Air Force's desire to answer the question, does it really take longer and cost more to develop systems now, or is that just a perception. And then General Marsh commissioned this study so that we would have an analytical basis for that answer, according to the Air Force report.

I speak to the point of the principal problems with program instability. The impact has been dramatically less equipment procured than could have been with the dollars spent. The problem has gotten worse, and the prospect is acquisition expenditures will be even less effective unless changes are made.

It goes on to say, in regard to the fact that the Air Force investment program is in trouble,

> If the Air Force continues on historical precedents, it will acquire 1) significantly less equipment than is now planned, or significantly less equipment than could be obtained for the dollars likely to be authorized in the planned years.

And then, finally, this study says that,

> The procurement objective memorandum planning for continued substantial increases in almost all appropriations and major force programs reflects unbridled optimism, unsubstantiated by either an analysis of the economic and budgetary environments or historical funding patterns.

It just seems to me that——

Secretary WEINBERGER. Senator, if I might interrupt for just a moment, the critical clause in there which you read, but did not dwell on, is unless changes are made. That is a report that is restating the Defense Science Board report of 1977, and the Chairman of that report is with me this morning. He is Dr. DeLauer, who is the Under Secretary for Research and Engineering.

Yes, you will get those results if you perpetuate the kinds of problems which led to them. And what we have been trying to do with Deputy Secretary Carlucci's initiatives, the other management improvements that we put in and the close examination of the execution of each contract, and the improvement in the contracts themselves, is deal with what was a very real problem. One that is still having an effect, because you are going to get bow-wave effects of these things for a long time to come.

LAY UNDERFUNDING PROBLEM ON THE TABLE

Senator GRASSLEY. Mr. Chairman, I have no more time, but I would like to say to you publicly what I said to you privately, and what Senators Gorton and Kassebaum and I have written letters to you on, that I think we ought to look more deeply into this whole issue of underfunding, not just bring in one side as maybe my questions would imply that I would like to have just one side brought in, but I feel we ought to lay this underfunding problem all out on the table, because where sunshine comes in, there is not going to be any mold, and I think we need to get it out on the table.

These are basic decisions—not appropriation decisions, but basic budget decisions—that this committee ought to be making.

Senator METZENBAUM. Wouldn't the Senator from Iowa think it would be advisable if Mr. Spinney were brought before this committee so that we might learn more about the Spinney report?

Senator GRASSLEY. Obviously, before March 1, when we complete our hearings, because I do not want to slow up the work of the Committee getting our budget out before the middle of March. The sooner, the better, as far as I am concerned.

Chairman DOMENICI. I have talked with the Senator and received the letter, as he indicated, and I am exploring that. I am going to do everything I can to get this issue out.

If you will yield a moment to me, Senator.

Senator METZENBAUM. Certainly.

[The following was subsequently supplied for the record:]

U.S. SENATE,
Washington, D.C., February 2, 1983.

Hon. PETE V. DOMENICI,
Chairman, Senate Committee on the Budget,
Washington, D.C.

DEAR PETE: There are several disturbing reports we have come into contact with which point to a serious underfunding problem in DOD. If true, the underfunding could present a major problem to the Pentagon, the Administration and Congress.

We would like to make a formal request of you to call for a hearing before the Budget Committee involving each of the sources of these reports: George Kuhn of the Heritage Foundation, Martin Margolis of DOD, and Franklin Spinney of DOD. Also represented should be a spokesman or spokesmen for the opposing point of view.

We believe it is the responsibility of the Budget Committee, and in the best interest of the nation, to have an accurate assessment of defense spending needs. We believe such a panel will provide a good assessment, and would allow the members of our committee to better evaluate the defense budget.

Sincerely,

SLADE GORTON.
CHARLES GRASSLEY.
NANCY KASSEBAUM.

Chairman DOMENICI. Mr. Secretary, I am not aware of the Spinney report in any detail, but I have before me a list which I will submit to you and for the record that tends to support his thinking. It contains the fiscal year 1984 planned quantities in the 1983 request for about 25 weapons systems. In the first column, the 1983 column, is the units that were going to be purchased in fiscal year 1984 envisioned in the fiscal year 1983 request. The second column contains the actual quantities requested for fiscal year 1984. Except for the cuts announced in December, budget authority has not changed. Yet, the third column which shows the difference in the number of items that we will actually buy and get, versus what we originally assumed is rather dramatic.

There probably is an explanation, but at least part of the explanation seems to be that there was underestimating of these programs. There may be other reasons as well. I would like this analyzed and submitted to the committee, if you would, Mr. Secretary.

Secretary WEINBERGER. I would certainly be glad to do that, Mr. Chairman.[1]

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[1] Not received at time of printing.

[The following was subsequently received for the record:]

ANNUAL PROCUREMENT QUANTITIES FOR FISCAL YEAR 1984

[In billions of dollars]

	Fiscal year—		Difference
	1983 request	1984 request	
Army:			
AH–64 attack helicopter	96	112	+16
M–1 Abrams tank	1,080	720	−360
Bradley fighting vehicle	555	600	+45
Patriot missile	664	552	−112
Navy:			
F–18 multirole aircraft	96	84	−12
F–14 fighter aircraft	30	24	−6
A–6F attack aircraft	8	6	−2
P–3C patrol aircraft	6	5	−1
Trident missile (C–4)	72	52	−20
Tomahawk cruise missile (BGM–109)	312	124	−188
Sparrow missile (AIM–7)	1,220	695	−525
Phoenix missile (AIM–54)	360	324	−36
Standard missile (RIM 66B/67B)	1,150	1,190	+40
Trident submarine	1	1	.....
SSN–688 attack submarine	3	3	.....
Aegis cruiser (CG–47)	3	3	.....
FFG–guided missile frigate	2	0	−2
LAMPS ASW helicopter	64	21	−43
Air Force:			
B–1 bomber	10	10	.....
F–15 fighter aircraft	60	48	−12
F–16 fighter aircraft	120	120	−26
C–5N airlift aircraft	10	4	−6
Air-launched cruise missile	440	0	−440
MX missile	53	27	−26

Chairman DOMENICI. Now, Senator Metzenbaum, you are next.

BRING SPINNEY UP FOR QUESTIONING

Senator METZENBAUM. I would like to say to the chairman and to the Secretary that I hope—and I would ask him—will Mr. Spinney be made available either to this committee or to those of us who wish to inquire of him with respect to his report?

Secretary WEINBERGER. We have had, Senator, a longstanding precedent of not bringing up individual employees on simple requests because of individual analyses they have done, for a number of reasons. Their work and their reporting responsibilities are to their immediate superiors in the Pentagon.

Senator METZENBAUM. Well, will you not permit him to speak to us?

Secretary WEINBERGER. I do not know whether you have taken advantage of it or not, but we have offered his superior officer, with the full analysis of his work and the points that I made, or tried to make, this morning, and that is still available to you if you would like to accept it.

Senator METZENBAUM. Mr. Chairman, I would then formally request you—and I would hope that the Senator from Iowa would

join me, and I think others, as well—to ask Mr. Spinney to appear before this committee.

Here is the Department of Defense report—or, not report; a memo—the Spinney material, what does it say, is it true, how should the Department respond. Now, they have taken enough trouble to put out a whole memo as to how the Department should respond to the Spinney report questions. I have asked the Secretary by letter about the Spinney report. I think it is important. I think the Senator from Iowa has made a very strong case. And I would hope that either on an ad hoc basis, or formally, that Mr. Spinney would be brought before this committee so those of us who have questions about it could truly get all of the facts and permit the man to speak for himself.

Secretary WEINBERGER. Well, there certainly is no mystery about it, Mr. Chairman. It is, in my opinion, and in the opinion of his superiors, a flawed analysis. We have presented all of the facts relating to it and all of the factors on which it is based, and the fact that it projects out into the future the continuance of errors that we do not plan to continue committing.

Chairman DOMENICI. Let me respond, Senator Metzenbaum. Consistent with my duties and responsibilities, I will look into the matter, confer with the three Senators that formally requested that he appear—they are Senator Gorton, Senator Grassley, and Senator Kassebaum, and now you have asked. I will do my best to arrange a balanced set of hearings on this subject. Senator Chiles and I will confer.

Mr. Secretary, I did not want you to think that this list is brand new. Your Department received it a couple of days ago from my staff; so it should not take too long to analyze it. I would assume DOD is already doing that.

Secretary WEINBERGER. All right. We will be glad to do it.

Chairman DOMENICI. Senator Metzenbaum?

CUT WASTEFUL SPENDING IN BUSINESS PRACTICES

Senator METZENBAUM. Mr. Secretary, you just mentioned the Carlucci 32 points. As you know, ever since you came into office, I have looked forward with enthusiasm to the fact that the man who bore the appellation "Cap the Knife" would do something about cutting wasteful Department of Defense spending. Now, I am not speaking about particular programs. I am talking about business practices.

You know that I wrote you a letter with Senator Barry Goldwater, an eight-page letter on this subject.

Secretary WEINBERGER. That is right.

Senator METZENBAUM. You know that Senator Goldwater and I sued the Department of Defense. You know that Senator Armstrong, Senator Warner, and I paid a call upon you and Mr. Frank Carlucci. Out of that came a discussion of 31 points and then when I pressed you in connection with the fact that it did not include competitive bidding, you included that.

On July 21, 1981, you wrote to me as follows:

> I believe that Frank Carlucci's 32 acquisition improvements (at your suggestion, we have added the need for more competition to the original 31) provides a founda-

tion and plan for the changes required to improve the procurement process and correct what is viewed by all as our single, major shortcoming.

Mr. Secretary, the Armed Forces Journal for February 1983 reads as follows:

As this issue went to press, the Department of Defense directive still had not been issued, almost two years after Carlucci's 32 initiatives were agreed to and announced.

Secretary WEINBERGER. Which directive are you referring to, Senator?

Senator METZENBAUM. I am referring to the one that is known as Department of Defense Draft Directive 5000.2. It has not been issued, Mr. Secretary, and that is in the Armed Forces Journal, and every other source that I have indicates that the directive has not been, and it is still in a discussion stage.

As a matter of fact, in the Armed Forces Journal, it reads as follows: "To Vice Admiral Robert R. Monroe, Director of Navy Research, Development, Test and Evaluation"—and these are darts—

For not coordinating on and thus holding up for over 2½ months DOD's Draft Directive 5000.2, which was distributed last April 12 to codify the April 1981 Carlucci initiatives for streamlining the weapons systems acquisition process. Yet the Navy is the service which has bugged DOD the most to get the directive issued as soon as possible. As this issue went to press, it still had not been issued.

CODIFICATION NOT THE OPERATING MECHANISM

Secretary WEINBERGER. Well, Senator, you are under, I think, some impression, or maybe the author of that article is under some impression, that the "codification," which is the correct description of what the directive will do, is essential before we do any of these things. The Carlucci initiatives for management improvement were put in well before May of 1981. They involve such things as multiyear procurement, which we are doing; the most economic production rates, which we are trying to secure; we have budgeted to the most likely cost, we have streamlined the entire contract process; we have established the various activities of the Inspector General in review and oversight, and we have put all of these into effect.

The codification of them in a directive is not the operating mechanism here. We do not wait for a codification. We put them into effect immediately. They are in effect, and they have been for some time.

Senator METZENBAUM. Well, Mr. Secretary, you say that you have, but the GAO, on March 8, 1982, stated in unequivocal language what you had really done.

The GAO estimated last year that sealed bid competition—that is, the procurement method routinely used in business—accounts for only 5.8 percent of the procurement dollars expended by the DOD.

And they also reported that, instead of increasing the actual use of competition, as per the 32 point, the one that I had pressed you on, of the Carlucci initiative, DOD had in effect begun to fudge the books, by changing its reporting system. Let me read you what they said.

The three procurement categories classified by DOD as noncompetitive were presented as competitive. This shifted $9.5 billion from DOD's noncompetitive procurement.

So what they are really saying is that you changed the classification in order to claim that you were using more competitive bidding, but you are still only at 5.8 percent, and that is an astounding figure for a department that buys as much as does your Department.

COMPETITIVE BIDDING HAS BEEN INCREASED

Secretary WEINBERGER. Senator, there are a couple of problems you do have with classification there, we are doing as much competitive bidding as we can and increasing it, since we agree with you that it should be increased. You have to bear in mind that sealed bidding is not the only method of competitive bidding, and that we do it competitively whenever we can. There are a lot of items where it is more economical to produce, because the particular producer, manufacturer, subcontractor, whatever, has been manufacturing that particular item for a number of years, and there is no one else who is as capable of doing it.

We do want to increase competitive bidding; and we have increased it. I disagree with the conclusions of the GAO on that point and will be glad to present you the information as to why.

We do not have as much competitive bidding as we would like to have; we want more of it; and we are trying to increase it all the time. A manufacturer who has been manufacturing a particular item required by one of the services is geared up for production. In order to get competitive bids, you would have to encourage a number of other manufacturers to tool up, set up a production line, and open a factory. We are delighted if we can get more than one bid on a particular item, but many times we cannot; we cannot afford to.

Senator METZENBAUM. You say you are delighted, Mr. Secretary, but your people do not accept competitive bids.

Secretary WEINBERGER. That is not true, Senator.

Senator METZENBAUM. Your people reject those companies that want to get into the military procurement process——

Secretary WEINBERGER. That is absolutely wrong.

Senator METZENBAUM [continuing]. You have done that consistently, and you have continued to defend that process, in spite of what you said——

Secretary WEINBERGER. I do not defend it, because we do not do it.

Senator METZENBAUM [continuing]. Conservatives as well as liberals, Democrats and Republicans, want you to do competitive bidding, and you have just refused to do so, and it is part of that military-industrial complex that refuses to permit any competition in the free enterprise system. And you are the one who ought to be doing something about it.

DOD DOES ALL COMPETITIVE BIDDING THEY CAN

Secretary WEINBERGER. Senator, that is absolutely wrong. We do all the competitive bidding we possibly can. We want to get it in. Wherever we can get lower prices, we do it. In some areas, we are not allowed to do it under congressional set-asides for minority and small business. But we do just as much as we can, and we are not

interested in any military-industrial complex or any kind of pejorative terminology or anything of the sort. We want the lowest price from the most responsible person who can manufacture it, and when there is competition, we welcome it, we seek it—I have said so repeatedly—but we are not able to go out and force American companies to bid.

Senator METZENBAUM. Mr. Chairman, I know my time has expired, but I gather we will have a second round. I want to get into this new leasing process——

Chairman DOMENICI. We are going to try. If we all stay within our time, we will get a second round.

Senator Kassebaum?

Senator KASSEBAUM. Thank you, Mr. Chairman.

Following you, Howard, is a little like following in the wake of the *Titanic.* [Laughter.]

Chairman DOMENICI. You do not have to try.

Senator KASSEBAUM. Mr. Secretary, we have been discussing defense budgets for a couple of years, and certainly, I have felt very strongly, as you know, that we needed to bring wise and prudent decisions and a critical eye to the defense budget, just as to the rest of the budget. Last year, I proposed an amendment which was defeated in committee and on the floor—but by only 9 votes on the floor—that would have been a 7-percent real growth increase in the defense budget. Your budget this year is a 10-percent increase. At that time, there were those who even called my approach irresponsible, but a year has made quite a bit of difference.

I think, as you said, that you need the support of Congress, but more importantly, you need the support of the American people——

Secretary WEINBERGER. Absolutely.

Senator KASSEBAUM [continuing]. To do what is necessary. And as I said to you a year ago, I saw that support eroding for doing those things that it is important to do to keep a sound and sensible defense system. That is why I am very supportive of Senator Grassley's request and Senator Gorton and myself, to have a panel that will bring another side to this estimate, because I think it is essential that we do get reliable cost estimates——

Secretary WEINBERGER. I totally agree. We have no interest whatever in overruns.

Senator KASSEBAUM [continuing]. To find out whether we are able to pay for what we have, or are we spending too much.

Secretary WEINBERGER. That is right.

Senator KASSEBAUM. I think that there is a developing cynicism in the public that the figures have become distorted. So I would hope that we can work together, because the bottom line is not just an economy in bad shape that has brought us to this point; it is a sound budget decision that gives us a sound defense system.

Secretary WEINBERGER. We certainly agree, and we believe we have instituted it.

Senator KASSEBAUM. I think this is what we are all striving to do.

16,000 NEW CIVILIAN EMPLOYEES ADDED

I was interested in the line of questioning before the Armed Services Committee in which the chairman recommended that those of us who have criticized the defense budget look to our own backyards for where we may make reductions. I would hope that we are not parochial, all of us, in wanting to check those aspects which help our States and districts. I know I voted against the B–1 program, which would have benefited Kansas. But I also think it is important for the Pentagon to look to its own backyard. I was surprised in looking at the 1984 budget to see that there were 16,000 new civilian employees added for 1984, at a cost—just salary alone, not benefits—$500 million.

Secretary WEINBERGER. That is correct.

Senator KASSEBAUM. I wonder how you can justify that, Mr. Secretary?

Secretary WEINBERGER. Very simply, Senator, because we are adding many weapons, there is a great deal of base work, and support work to be maintained, and we try to do just as much of it as we can on the civilian side, rather than using the military to do the civilian jobs.

We are expanding the military; we have to. The Congress has been very generous in the past 2 years in recognizing the need, obviously this means more people—it means more uniformed people, too, to operate the additional ships and planes and so on.

Senator KASSEBAUM. Sometimes, quantity is not really quality, as you know.

Secretary WEINBERGER. No; that is true. But we are trying to reduce construction backlogs, maintenance backlogs, and improve housing, and do construction that we have postponed and neglected for a long time. So it is obvious, and necessary, that yes, we will need more people as we expand operations and acquire the things that we need, and try to reduce these huge maintenance and operations backlogs. But we do not want a single person more than is needed, these requests are validated requests that have been very carefully studied and pared down.

Senator KASSEBAUM. Just those new hires alone for the Pentagon are more employees total than the Department of Housing and Urban Development.

Secretary WEINBERGER. That is right.

MORE PEOPLE NEEDED AS WE REGAIN OUR STRENGTH

Senator KASSEBAUM. So for the public that criticizes too many employees back here, running the Federal bureaucracy, I think that we should put this all very carefully in balance. I personally am quite astounded that it takes 16,000 new employees at this point to work with these programs.

Secretary WEINBERGER. The original requests, Senator, were more than double that, and the budget process internally has reduced that down to this point. The simple fact of the matter is that I do not think, with all due respect, that we can compare the particular needs of one department with another. I have no way of knowing the Department of Housing and Urban Development's requirements, but I do know ours, and I do know that they have been

carefully reviewed. As we expand the military, as we regain our strength and rearm the country, that yes, we are going to need more people, and what we are going to have to realize is that it is a long-term, difficult, and an expensive effort. It is not a congenial effort to have to make, but it is one that I am convinced is absolutely essential.

Senator KASSEBAUM. My time is up.

Chairman DOMENICI. Senator Johnston?

GROWTH OF OPERATION AND MAINTENANCE CANNOT BE PROJECTED

Senator JOHNSTON. General Vessey, would you agree with me that given the past neglect of maintenance and operation, of readiness of personnel, that in the future years, the next 4 or 5 years, it would be a mistake not to continue to give a high proportion of defense increases to what we call the readiness account, maintenance and operation personnel readiness?

General VESSEY. The O&M budget has to grow consistent with the needs for training and maintenance. The actual growth, as the Secretary pointed out among some other things, cannot be projected based on past experience alone, because many of the new weapons systems require less maintenance than the old ones.

Senator JOHNSTON. Well, those needs are going to grow in future years.

General VESSEY. The needs will grow.

Senator JOHNSTON. All right. Secretary Weinberger, given the fact that readiness is going to grow, I am particularly disturbed when I look at this budget and find out that in 1979, procurement was only 24 percent of the defense budget; by 1982, that had grown to 29.5 percent. We project in 1984 that it will be 34 percent; by 1987, it will be 37.8 percent. Or, in other words, procurement, between 1979 and 1987, will grow almost 14 percent as a proportion of the defense budget.

Now, given the fact that public opinion is turning against defense; given the size of the projected deficits and their economic impact; given the continuing needs of readiness, what this tells me is that we are not going to be able to sustain an increase from this year of less than 30 percent to an increase of almost 38 percent as a proportion of the defense budget by 1987. It tells me that sometime between now and the next few years, that some decision is going to be made to cut procurement down, whether by the Congress—and I suspect that the Congress cannot do it very well—or hopefully, by you, eliminate some of this procurement.

I can give you a good candidate to start with, and that is the B–1 bomber. General Dick Ellis, as you probably know, the outgoing commander of the Strategic Air Command, said, "The B–1 is a good machine, but we cannot afford both the B–1 and the Stealth." So his advice to us was to eliminate the B–1 and go with Stealth.

Do you agree or disagree with the General's statement?

B–1 NEEDED FOR PENETRATION

Secretary WEINBERGER. I disagree with that very much, Senator, because we now have a plane that will not be able to penetrate the Soviet air defense for much more than maybe 2 years at the out-

side. We have wholly new techniques involved in the Stealth bomber, and I will be glad to discuss those with you in closed session. You may have already been briefed already on them, but we will be glad to do that in appropriate circumstances.

The B–1B is a plane that is virtually in being. Our request in the 1984 budget is for 10. It is coming on-line, and it will be able to penetrate well into the late nineties.

Senator JOHNSTON. Into the late nineties?

Secretary WEINBERGER. The late nineties. We do not know the precise month or year because we do not know all of the things the Soviets will do to their air defenses. We do have some very effective counter-measures now. But one way or another, it is a plane that will give us a great many years of service and close a gap that we will be facing in about 2 years, a gap that I do not think we can afford to face, because I do not think we can give up our triad of strategic forces.

Senator JOHNSTON. I believe General Vessey's testimony before the Armed Services Committee was that the B–1 could penetrate until the late eighties, not the late nineties; am I correct in that?

Secretary WEINBERGER. No.

General VESSEY. No.

Senator QUAYLE. That was the original testimony. It has been changed.

Senator JOHNSTON. Well, are you saying that the B–1 bomber would be able to penetrate Soviet defenses into the late nineties?

Secretary WEINBERGER. Sometime well into the nineties. I am not prepared to give you the month or year Senator.

Senator JOHNSTON. Well, there is a lot of difference between 1999 and 1990.

Secretary WEINBERGER. Indeed, there is, and if you want, we can take the mid-nineties. Nobody knows precisely, but we do know that it will have several years beyond the effective life of the B–52, and the B–52 is not going to have the ability to penetrate after, perhaps, 1½ to 2 years, we just do not know the precise date. We do know the state of their defenses, and we know the age of the B–52.

Senator JOHNSTON. All right. If I am correct that the B–1 bomber will not be an effective penetrator—or, if I recall the testimony correctly, it would be a suicide mission beyond 1990—if that is correct, then would you reevaluate your commitment to the B–1?

B–1 NEEDED NOW

Secretary WEINBERGER. No. We made the commitment to the B–1B on a totally different basis, a totally different assumption, and the commitment to the B–1B is one that we think is essential to enable us to preserve the deterrent, particularly, obviously, the airborne part of the deterrent.

Senator JOHNSTON. A deterrent to what—as a penetrator, until the late 1990's, or as a penetrator until 1990?

Secretary WEINBERGER. As a penetrator. Again, we do not know, and I will be glad to go over with you the date that the Stealth bomber will be coming on, in closed session. After it does come on, the B–1B will obviously have a very long and effective life as a con-

ventional plane and also as a plane that can deliver cruise missiles in a standoff or other role.

But there is no doubt in my mind that we need the B-1B and we need it now, because we are in a situation where both the land-based ICBM portion of the triad is obsolete and needs an enormous amount of strengthening and modernization, and the air part of it, the B-52, is not going to serve us for more than a few short years in that strategic defense deterrent capability. In addition the Trident submarines will not become fully effective until 1989. So, we do have a period here in which we have a serious imbalance in our strategic deterrent, and that is why we think it is essential that we proceed with the B-1B, as the Congress has done now for 2 years.

Chairman DOMENICI. Senator Symms?

Senator SYMMS. Thank you very much, Mr. Chairman, and Mr. Chairman, before I start my questions, I would like to recommend to you, sir, that if we do have Mr. Spinney come, that maybe a good panel would be to ask Dr. Bill van Cleave from the University of Southern California to be with him, because I think they both have a great deal that they could offer to this committee.

Chairman DOMENICI. Before you continue, could we have order, please?

Thank you very much.

UNITED STATES MUST RELY ON RETALIATORY CAPABILITY

Senator SYMMS. Mr. Secretary, both you and General Vessey have commented greatly on the importance of our strategic force modernization as part of this overall defense question, and the importance of it in order to keep a positive deterrent, in order to keep us from ever engaging in what would be, as you say, a no-win situation which would be a nuclear exchange.

Often, when I hear the comments of my colleagues, I think it is true what they are reflecting, that there has been somewhat of an erosion of the popular support for the defense budget. I think oftentimes, it is forgotten by many people that the defense budget probably is the single most important social program we have in the United States, because it is my understanding that the Defense Department is intending to defend the freedoms of both the poor as well as the rich people in the country. I think sometimes, that is overlooked.

But I would like to ask you this question. When the President goes on national television—and he did this recently—he had a nice graph, showing the number of Soviet missiles and then one that was not quite so big that showed the number of American strategic weapons which would be a deterrent to the Soviet weapons, but to the person on Main Street, U.S.A., when they look at that, it looks like there is an awful lot for each side, so it becomes very popular, and the cliche is, well, both sides have enough to blow each other into kingdom come; why do we need any more? I think you have probably heard that many times. I think most of us who go out to our States and meet with groups always get that kind of a question, "Why do we need all this defense budget?"

Would it not be instructive, not only to the Congress but to the country, if the President would present that picture and show what it would be like after a first strike?

General VESSEY. Very much so.

Secretary WEINBERGER. Yes; that's the whole essence of the point of deterrence, Senator. You are absolutely correct, because as we say in our strategy paper, we have a defensive strategy. We do not make opening attacks. Therefore, we have to rely on our retaliatory capability. That is why it is irrelevant to measure numbers of warheads. It is effective, deliverable strength after a first strike that is the only thing that can count. You are perfectly correct.

RETALIATORY ABILITY SOURCE OF WORRY

Senator SYMMS. Well, what would be our retaliatory ability with our triad with the land-based ICBM's if we did absorb a first strike?

Secretary WEINBERGER. That is a source of great worry. That is why we feel we need the MX. The Minutemen are not in hardened silos by today's standards. The Soviets are in very hard silos. They have hardened all of their military targets. The exact survivability percentage of the Minutemen is a matter of some dispute. But with the increased accuracy and the increased yield of the Soviet weapons, very little of it would be left, and in the out-years, increasingly less of it. So you would have no real assurance, and even more importantly, no perception by the Soviets that we have any sufficient retaliatory capability that.

Next, you would go to the bombers, and we have already discussed the problems with the B-52's. Then you would look at the submarines. Again, when you are talking about trying to destroy Soviet hardened targets, we need greater accuracy and a greater yield from the submarine missiles to do that. That is why the D-5 SLBM has been approved by the Congress in the past. So our strategic deterrent as a whole, the triad, does need modernization and strengthening, and we have to do it all soon. We have to start with it. That was the President's program, presented in October 1981.

Senator SYMMS. Well, Mr. Secretary, as you know, I have been very concerned about the deactivation of some of our strategic delivery systems that we now have on-line, and I think it relates very well to the question that Senator Johnston had about the B-1. I have been one of those who believes that we should have had the B-1 in the inventory many years ago to fill this gap——

Secretary WEINBERGER. I do, too.

Senator SYMMS [continuing]. But we now are deactivating Titan, Polaris, B-52's. It appears to me that in some ways, we have unilaterally deactivated about 26 percent of our firepower.

Secretary WEINBERGER. We have taken up almost that much, a lot of people who talk about arms race and steadily increasing armaments do not accept it, they do not understand that fact; and you are absolutely correct.

Senator SYMMS. So my question is, how do we square this—how are we allowing this to happen? Does this verify my first question that you feel like the first strike capability of the Soviets is so

great that we would lose 70 percent or so of our bomber force, anyway, before they ever got off the ground?

STRATEGIC DETERRENCE MUST BE INCREASED

Secretary WEINBERGER. Well, they have increased and improved air defenses against a plane that is 25, and in some cases, 30 years old; while we have greatly increased accuracy, largely secured through our own technology. For their part, they have much greater yield and a much greater survivability of their systems. All of these things make it very clear to me that we have to increase the strategic deterrent for all parts of the triad. It is very unfortunate that we have to do this all at one time. It would have been far better if, over the seventies, if these things had been done.

You spoke about the B-1. When I was running the budget, I put the money for the B-1 into the 1971 budget, and I wish we had it now, but we do not.

Senator SYMMS. Well, Mr. Secretary, my time has expired, but I would appeal to you to go to the President and declassify what the Soviet threat assessment is to the American people, because I believe if the American people had the understanding of what the threat assessment is and how really, little capability we would have left after a first strike, that you would not have this big opposition to a safe, peaceful ability to keep the peace in this world with the defense budget that we probably need.

Secretary WEINBERGER. I agree with you, Senator, and we have a constant pressure on to declassify more, both with respect to the Soviet threat and other things. We will be publishing at the end of February, the new updated book on Soviet military power with a comparison with our forces, and we will try to include in it as much of this in it as we can.

Senator SYMMS. Thank you.

Chairman DOMENICI. Thank you, Senator.

Senator Riegle?

Senator RIEGLE. Thank you, Mr. Chairman.

It has been very frustrating to sit and listen and not have an opportunity to engage in discussion along the way on some of the points that have been raised today, but that is the nature of the system that we have.

Mr. Weinberger, I have served in the Congress now for 17 years, under 5 Presidents, as both a Republican and a Democrat, and for the first time, I think we have a Secretary of Defense whose basic judgment is dangerous to our country.

You give every appearance of being an inflexible idealogue who has lost any sense of rational proportion when it comes to assessing the defense needs of our country. By your really fanatical insistence on defense increases that are larger than needed, larger than we can afford, I believe that you are damaging our national security.

Secretary WEINBERGER. Well, Senator, I have to——

Senator RIEGLE. Now, I beg your pardon, sir. I did not interrupt you——

Secretary WEINBERGER. Yes; that is right, but you are——

Senator RIEGLE. I did not interrupt you, and when I finish—I have the floor——

Secretary WEINBERGER. Yes, but you are making an attack on me, personally, and I have to say——

Senator RIEGLE. I have the floor. I do not feel that I am, sir, and I have the floor——

Secretary WEINBERGER. Well, I would let anybody judge that——

Senator RIEGLE. Mr. Chairman, I would ask that the Secretary——

Chairman DOMENICI. Would you both refrain for a moment?

All right, Senator, would you start over now?

RIEGLE ATTACKS WEINBERGER

Senator RIEGLE. I believe that these policies and this approach is damaging our national security, and I want to repeat it for emphasis: I think you are damaging our national security. I think you are making America weaker, not stronger, and I think this perverse reality is actually serving the interests of the Soviet Union, which is the most dangerous irony of all.

I think it is absurd to believe that the United States can plausibly project strength abroad when we lack economic strength at home. Today, one-third of our national plant and equipment is sitting idle. We have over 12 million Americans out of work, and we have bankruptcies and foreclosures in this country at the highest rate in 50 years, and despite these realities, you are insisting on obsolete, multibillion dollar weapons systems like the B–1 bomber; you are insisting upon the MX missile system, when even the Joint Chiefs do not agree with your Dense Pack basing mode. By your refusal to accept a more reasonable, orderly strengthening of defense capabilities, I think you are creating a strengthening public opposition to defense increases.

I think that your overspending on defense is distorting the economy, bloating the deficits, adding to unemployment, keeping interest rates at excessively high levels. You are mortgaging our future with enormous permanent increases in the national debt, and you are allowing our allies to do less than their full share in bearing the free world defense burden.

As someone said earlier, you had the reputation before when you were at HEW as "cap the knife," and at the Defense Department, you certainly have become "cap the spendthrift," in every sense of the word.

These are not just my personal views. I have been out, throughout my State in the last year and a half, as those of us were who were running for reelection, I can tell you that what I am saying here reflects the views of a substantial part of the 9.5 million people in the State of Michigan that I represent.

We need to make major cuts in the projected defense increases that you have brought before this committee. Your presentation is deceptive in terms of the point that Senator Chiles and others have made about changing the baseline numbers, creating the fiction of cuts when in fact, they are not real cuts, in terms of the actions that were taken here 1 year ago and which was understood by

members of both parties to be the case. I am going to do everything that I possibly can to make these cuts.

Mr. Chairman, I have a number of questions that I am going to submit to the Secretary, that I would like him to answer for the record.[1]

Secretary WEINBERGER. I would like to answer one now, if I might, Mr. Chairman. May I be recognized?

Chairman DOMENICI. You are granted as much time as you like, Mr. Secretary.

154,000 JOBS WOULD BE LOST IN MICHIGAN

Secretary WEINBERGER. Senator, I think you have accomplished your principal purpose, which was to launch a demagogic attack on me in time for the afternoon and evening editions, I want to tell you that I think everything you have said is both insulting and wrong, and fully consistent with, basically, some of the things that have been evidenced in the past to me.

I wonder if your people in Michigan with whom you have talked know that if you are going to impose the kinds of cuts you are talking about, you will lose something in the neighborhood of 154,000 jobs in your State, and I wonder how that will improve unemployment and how that will help the economy. I wonder how it will help the Soviets to have the proper amounts that are necessary for defense, in the opinion of the person who has the responsibility to recommend them to the Congress, how does that help them?

I wonder if you can tell me how I can spend one nickel of defense money that has not been appropriated by the Congress—by you and your colleagues—and I am sure you have taken full credit for any contracts that came home to Michigan.

Senator RIEGLE. There have been very few of those, Mr. Secretary.

Secretary WEINBERGER. I am sorry?

Senator RIEGLE. There have been very few of those, if you will remember.

Secretary WEINBERGER. There have been a lot of them, and——

Senator RIEGLE. We have 750,000 people unemployed in Michigan today.

Secretary WEINBERGER. Yes, and do you want to add 154,000 to their numbers? The other thing——

Senator RIEGLE. You have helped add 154,000 to their numbers.

Chairman DOMENICI. Senator, I think the Secretary deserves to answer.

You may proceed, Mr. Secretary.

Secretary WEINBERGER. Thank you.

You have offered no evidence whatever to support a lot of extraneous and demagogic-type statements, that I am sure you think will appeal to the headlines.

DOD SECRETARY HAS CERTAIN RESPONSIBILITIES

The simple fact of the matter is, I have certain responsibilities. I do not have the luxury of sitting up there and guessing at what

[1] See p. 224.

might happen. I have the responsibility of looking at the threat as I see it and looking at how that threat has grown and looking at what is necessary, in my opinion, to advise the Congress and the President what we must do about it. The Congress thus far has authorized the amounts that we are spending. To say that I am spending the country into bankruptcy is to say that Congress has authorized too much. I do not think they have. I think they have authorized what is enough, although I think last year, more should have been on specific systems.

I have a totally different mission now than what my mission was coming in here which was to try to get a hold on a serious inflation problem and a budget that had been allowed to increase because of decreases in defense spending.

We have examined everything in the Department of Defense just as carefully as we did at OMB, all of the requests have been scrubbed, and all of them have been reduced. As I told Senator Kassebaum many of the requests are for over twice what is actually approved. To think that you can improve the situation, or lessen the peril that this country faces, by sitting up there and closing your eyes to it and making a lot of statements designed for headline treatment, and a lot of extremely unfair personal attacks, strikes me as fully consistent with what I had heard.

I think we would all serve our country a lot better if we examined dispassionately the threats and the needs and determine what we have to do to recover from them. To realize in doing that, that we do not hurt our economy or add to unemployment, which is one of the principal problems in your State.

Mr. Chairman, I appreciate very much your allowing me to make this statement.

Chairman DOMENICI. Thank you.

Senator RIEGLE. Mr. Chairman, if I may, yesterday in this committee in the afternoon, we had three leading business executives in this country, people of stature- —

Chairman DOMENICI. Senator, your time has expired.

Senator RIEGLE. Well, Mr. Chairman——

Senator QUAYLE. You have a second round. I have not had a round of questions. You will get a chance.

Senator RIEGLE. Well, I will stop, but I would like it noted that when I finished speaking, the yellow light was on, and you gave time to the Secretary. I had not used all my 5 minutes, and I will wait for another opportunity.

Senator QUAYLE. That is the way it works.

Chairman DOMENICI. Well, that is the way it is. It is a question-and-answer session, and you did not ask a single question. So he deserved to respond, because you did not even ask him anything. You proceeded to tell the world what you think of him. In my committee, he is going to get a response, and it is going to be counted against you. You will get a second turn shortly.

Senator Kasten?

Senator KASTEN. Thank you, Mr. Chairman.

INCREASE EFFICIENCY OF DOD

Mr. Secretary, a number of experts including the Army Chief of Staff—General Meyer—have said that the system of the Joint Chiefs contributes to a loss of effectiveness. Some people have suggested that the Department of Defense could increase its efficiency by more than 15 percent simply by overhauling the Joint Chief system. What do you think of this suggestion? Is it possible that we could do this, and look forward to a savings of 15 percent—approximately $37 billion?

Secretary WEINBERGER. I do not see how savings of that kind could be obtained, but always there is an opportunity for internal improvement in any department or organization. I think General Vessey would be the proper one to speak about organization within the Joint Chiefs. We are constantly looking at ways of trying to improve the way we do business within the Department, and internal reorganization is certainly one of those options.

Senator KASTEN. General Vessey?

General VESSEY. As you said, there have been suggestions for changes in the organization of the Joint Chiefs. The present set of Chiefs was asked by the Secretary, who was asked by the President, to look at those very good and stimulating suggestions that my predecessor, General Jones, made and those that General Meyer had made. Of course, General Meyer is now a member of the Joint Chiefs. We examined them in great detail. We instituted some of the changes that did not require changes in the law. We made other recommendations to the Secretary. He has those recommendations now. Some of the things he has told us to go ahead with, and others require going beyond him. So we are attemoting to improve the operation. We believe the Joint Chiefs have the right duties; the question is how to perform them.

CHANGE IN EFFECTIVENESS OF SPENDING

Senator KASTEN. Mr. Secretary, can either you or General Vessey attribute specific dollar savings to these changes that you are making or have made?

Secretary WEINBERGER. I have not seen any dollar savings that would be associated with them. I think we would get generally improved management, some improved organization, and ultimately, those things do pay off. But mostly, it is a matter of responsiveness and an ability to organize to perform the statutory function of giving advice to the President and to me.

General VESSEY. You will get improvements in the defenses and improvements in the war plans, and I think in the long run, we will see improvements in those cross-service issues that require the services to work more closely together. I do not know whether it will change the dollar amounts, but it will change the effectiveness of what we are spending for defense.

Senator KASTEN. Let me back up a little bit. A number of us were elected 2 years ago from a constituency that was very aware of the Soviet threat, and concerned about our national security. Five or six seats at the end of this table, along with this administration were elected with this specific concern in mind. Now, that

constituency has eroded. This is particularly frustrating for me, Mr. Secretary.

OPERATIONS AND MAINTENANCE NEED MORE DOLLARS

I think one of the problems was that of these $8 billion in outlay reductions you mention, many are exactly the same policy actions I campaigned against. I campaigned against freezing military pay. Day after day, I said, the President said, and I would assume that Dan Quayle said that what we need is more dollars for operations and maintenance. And, we have got to support the people who are serving our country.

Then, Congress and the administration came out with that same set of cuts, which erodes the support we have for readiness. My understanding is that the $8 billion is basically savings from lower inflation, active duty pay freeze, and lower fuel costs——

Secretary WEINBERGER. About $2 billion, Senator, in programmatic cuts.

Senator KASTEN. Can you point to any of that $8 billion in cuts that would come from the Carlucci initiatives?

Secretary WEINBERGER. That is one of the problems with the public perception of what we are trying to do. You are not going to get negative factors. The Carlucci initiatives, and the management initiatives, and the management improvements that we put in, including the closer attention to monitoring contracts, all of that shows up in a lowered cost of what we do need. But we have fallen so far behind over these years that we do need a great deal more, so the fact that what we need will cost us less than what it would otherwise cost is not a very satisfactory response.

Senator KASTEN. You and I need to show people that.

Secretary WEINBERGER. I understand that, and that is what we are trying our best to do. For example, we can point to $3.3 billion in internal savings that we were able to make in the first year, through the use of these various initiatives. We know that what we needed would have cost us $3.3 billion more. That does not show up as any kind of a minus figure. The areas that you spoke of with respect to the $11.3 billion is correct. There is lowered fuel costs. We have been much more successful in the war against inflation than we believed we could be, and there is also a planned Government-wide pay freeze.

The President is perhaps the most unhappy man in Washington—maybe next to me—about that particular item, but it is a Government-wide attempt to reduce the deficit. We are all concerned with the deficit. We are all trying to do something about it. When you ask social security beneficiaries and all Government employees and retirees and foodstamps and everybody else to share in some kind of a reduction or a cap on pay or benefits, then there is no way you can do that if you start making exceptions. Difficult as the decision was, it was decided that it should be applied to the military, too. That is why I say I am going to try my best to make it up by our request in 1985.

Senator KASTEN. I am concerned about that aspect, but my time has expired. Thank you.

Chairman DOMENICI. Senator Biden?

Senator BIDEN. Thank you very much.

Mr. Secretary, I apologize for not being here for your whole testimony. I was questioning Mr. Adelman downstairs in Foreign Relations, and strangely enough, the questions I was raising with him, I think are appropriate to raise with you, because I wonder if they have an economic impact. There are a number of things we could discuss, and many have been discussed, I am sure, including your original assessment of Warsaw Pact strength and intercomparability of Warsaw weapons; that is all true. But I am not sure I would want to count on the Polish army if I were a Soviet general, no matter what weapons they have. As a matter of fact, I think they would do what they did before and move to take their weapons.

Secretary WEINBERGER. That is one of our hopes.

MILITARY SPENDING WILL DOUBLE BY 1988

Senator BIDEN. Yes, it is a prudent hope.

Mr. Secretary, the President has projected an everexpanding defense budget, and by 1988, there will be a complete doubling in military spending compared with the first Reagan budget submitted. Defense will grow to more than one-third of the Federal appropriations in outlays, and there will have been an average real growth of over 7 percent. My question is, is there any end in sight—can we count on that kind of growth continuing beyond 5 years? I mean, is it going to continue to escalate?

Secretary WEINBERGER. Senator, one of the problems we have today is we did not have that kind of growth during the seventies. I know you were out when we had that presentation, but that was during the seventies, from 1970 to 1980, defense spending declined in real terms just about 20 percent, something like 19.7 or 19.8 percent. During that same period, nondefense spending—entitlements and other things—went up 122 percent. The priorities of the country were completely reversed during that period. Now, we do have to make up for that, because during that period and the decade before it, the Soviets did not indulge in any similar kind of unilateral——

Senator BIDEN. I think that is correct, and I do not mean to cut you short, but the time is short——

Secretary WEINBERGER. I understand, but all I am saying is that——

Senator BIDEN. I would ask, do you see that trailing off?

Secretary WEINBERGER. What you are seeing now is the recovery of that. I do think, and I have high hopes that we would be able to reach very satisfactory, agreements that are equitable, verifiable, and result in equal reduction of arms. The only way we are going to do that is if we have the incentives to the Soviets to make reductions. I am very hopeful that we will secure the results the President has asked for. If that is the case, yes, we might then very well make some reductions in the rate of growth. But bear in mind, sir, that almost 50 percent of the budget is personnel costs, and that contrasts with about 16 percent in the Soviets. So you are always going to have large amounts for this purpose.

Senator BIDEN. I understand that, and I acknowledge only 20 percent of the whole budget is in these big weapons systems and the strategic area——

Secretary WEINBERGER. Less than that.

Senator BIDEN. But I mean, if you count the major weapons systems you hear debated here.

Secretary WEINBERGER. Yes, right.

PRESIDENT'S PROPOSALS WOULD CUT DEFENSE BY BILLIONS

Senator BIDEN. Having said that, though, I want to make sure I understand. Let us assume the President—and I expect it has been calculated—assume the President's initiatives in both INF and START were accepted as offered by the President; what would be the net reduction in military spending?

Secretary WEINBERGER. On the INF, it would be in the neighborhood of about $2.5 billion, over the whole course of procurement for the weapons that we plan to deploy to meet the Soviet challenge of the SS–20. On the START talks, I would have to compute it, because we have made proposals that involve reductions by a substantial percentage of, first, the most destabilizing weapons and later, others, all to be verifiable and all to be equal. We can get you that kind of projection. It is a substantial amount of money, of course.

Senator BIDEN. I would, for the record, like to ask if you would give us that project, if that is appropriate.

Secretary WEINBERGER. I certainly will.

[The following was subsequently received for the record:]

START

The President's START proposal to limit the number of ballistic missile warheads to 5,000 would not result in significant immediate savings. This is because strategic modernization programs like the Peacekeeper and D–5 missiles would continue, as they must to ensure a stable deterrent, and because retirement of older missiles would be phased over a number of years. Over the long run, the smaller forces resulting from a START agreement would indeed save money, by lowering operating costs. Between now and the year 2000, the President's START proposal would save over $20B (constant fiscal year 1982 dollars) in reduced operation and support costs of ballistic missile forces. Further savings are possible depending on the details of the agreement on ballistic missiles and the ultimate provisions limiting less threatening systems like bombers.

ARMS REDUCTION OUR BEST HOPE

Senator BIDEN. The last question, since my time is up, General Rogers talks about if we had a 4-percent growth among our NATO allies and us in NATO; is that a projection that is for the indefinite future? What I am trying to get at is, are we ever going to see the curve turn down, and if we do not, are we ever going to be able to do anything about structural deficits?

Secretary WEINBERGER. Again, I will just say, Senator, the curve did turn down all through the seventies.

Senator BIDEN. I know it did, but are we going to see it again is my question.

Secretary WEINBERGER. I hope so. We have a lot of recovery to do, there is a lot of expense that normally goes on in the general operations and maintenance of the Department. The best hope for

it, sir, is arms reduction. If we can get genuine arms reduction, verifiable, equal, and at much lower levels, then you could certainly see some things starting to come down. I do not see any way we could reduce the force structure in the foreseeable future, although I would very much hope we could. I certainly do not see any way in which the cost of that force structure—that is the pay, the allowances, the quality of life benefits—is going to go down, and that is a very big part of it.

Senator BIDEN. So, from an economic point of view, the single most important thing we could be doing in the defense area would be to have a mutually verifiable, significant arms control agreement.

Secretary WEINBERGER. I have said so 100 times, Senator. I fully agree with you.

Senator BIDEN. My time is up. Thank you.

GROWTH DIMINISHES DURING 1987–88

Chairman DOMENICI. Senator Biden, I might say that the projections submitted would indicate that in the 1987-1988 timeframe—I am not going to vouch that that is going to happen—the growth diminishes significantly and reaches a point where it is about equivalent to the GNP growth, from the projections we have seen. That is still going to be 4.5 or 5 percent over inflation, which is about equal to the GNP growth.

Secretary WEINBERGER. I would agree with that. The percentage of GNP required, should certainly come down toward the end of the decade if we do all the things we should do now, but again, GNP will obviously be growing, and I thought the Senator was referring to total amounts.

Senator BIDEN. I was.

Chairman DOMENICI. Senator Quayle?

Senator QUAYLE. Thank you very much, Mr. Chairman.

First of all, I would like to congratulate General Vessey on an outstanding speech that he made this morning at the national prayer breakfast.

Secretary WEINBERGER. Wasn't it good?

Senator QUAYLE. It was outstanding. For those in the audience who did not hear it, he says he has three speeches: tank maintenance, artillery maintenance, and reinlistment, and he gave us the reinlistment speech, and I want to come back to the tank maintenance speech, it was so good.

General VESSEY. It has a different tone. [Laughter.]

STRETCHING OUT PROCUREMENT DOES NOT SAVE

Senator QUAYLE. Mr. Secretary, we had some conversations in the Armed Services Committee the other day on procurement and the idea of possibly stretching out procurement to get savings. I would like to just go down a couple of them, with you. I know there are a lot of areas in procurement we can talk about. I would just like to talk about stretching out some programs, and get your reaction as to why, perhaps, and why we cannot do it, as we look for ways of savings.

Take the B-1, if we reduced it from 19 to 7, in my estimation, it would save about $1 billion. If we could keep production of the F-15 at the current request of 39 instead of 48, that would possibly save about $350 to $400 million. On the C-5, if we reduced the procurement from 4 to 3, this might save $300 million. On the Aegis cruiser, instead of having 3, go with 2; this would save perhaps about $1 billion. The attack submarine of the SSN-668 class, if we reduced that from 3 to 2, again, we might have a potential savings of $600 million. The MX missile, which the Congress has not yet approved—if we assumed Congress would give approval to the MX missile, and instead of 27 missiles, at a cost of $2.7 billion, say, we build 17 missiles, at a cost of $1.7 billion. Again, this would be an additional savings of about $1 billion.

Now, that is just a start. Some of us are trying to see if this is possible—if we can stretch out some of these programs. Those that I just announced, would save maybe $4, billion to $5 billion. I would just like to solicit your response, because if there is an area——

Secretary WEINBERGER. I am afraid that is pretty illusory, because that is based on an assumption that you are going to keep the same unit cost, year after year, and that everything will stop and standby, while we buy two instead of four, and one instead of five, and things like that. Unfortunately, that is not the history, and that is not the case.

One of the things that we have been trying to do, particularly with multiyear procurement—which the Congress did authorize 2 years ago—is to make major savings that we think can come from authorizing the amounts that we know we will need ultimately, and then procuring them at the most efficient rate. That inevitably requires more obligational authority in the first year or two, as well as somewhat larger outlays in the first year, but then you get your savings later on.

We have 27 programs in multiyear procurement that have either been recommended or approved—that is in 1982, 1983 and 1984, and obviously, the 1984 ones will be before the Congress as candidates for multiyear procurement. That will result in $4.6 billion in savings, over the period of time required to acquire those weapons. If you slow down, then instead of a tank costing you "x" number of dollars, it costs you sometimes 20, 30, or 40 percent more the second and third year. That is the financial side of it. You not only do not save anything, you add a lot to the cost.

Senator QUAYLE. Add in the outyears?

Secretary WEINBERGER. In the outyears, right.

Senator QUAYLE. We would save upfront, but we would be adding in the outyears?

Secretary WEINBERGER. Indeed, so the savings upfront in the first year is quite illusory.

The other thing that I have to point out is the length of time it takes is spread out. Now last year, the Congress approved our recommendation to authorize two carriers, and it was a very wise and a very prudent thing they did. We know we will need two carriers. By doing that, we saved $750 million in the cost of the two carriers, and we will get them 22 months sooner.

FIRST-YEAR REDUCTIONS ADD TO OUTYEAR COSTS

Senator QUAYLE. But on these items I just mentioned. Your argument would be more that we would not make a savings in the outyears, rather than that we would create any kind of damage in the short term.

Secretary WEINBERGER. My argument essentially would be, Senator, that we know we will need all of the programs that are there. We know that we will need them as soon as we can get them, to restore this balance, we know that if we stretch it out that way, it will cost us more, in the outyears, or in the years which I think this committee and others are most properly worried about. So you are adding to your out-year cost by temporary and illusory first-year reductions.

Senator QUAYLE. My time is up.

Chairman DOMENICI. Senator, I wonder if you might come up with a list of the type you just mentioned a few items on and extend it, and let us submit it to the Secretary with two questions: If a program were stretched out how much would it add to the unit cost, and how much would it add to the long-term cost?

Secretary WEINBERGER. We would be glad to give that analysis.

Senator QUAYLE. We have made that request at the Armed Services Committee. This is simply a follow-on to that. I think you already have that request. I think where you look at this thing, at least, just going down those few programs—and there may be others—you are looking at a savings in authority and outlays of $4 to $6 billion.

Secretary WEINBERGER. Yes; your first year looks better, Senator, but you have delayed——

Senator QUAYLE. It is a unit cost thing—that is the thing.

Secretary WEINBERGER. Absolutely.

Senator QUAYLE. How many are we really going to need?

Secretary WEINBERGER. It is that and the delay. Those are the things we worry about.

Senator QUAYLE. You know, as we focus on this thing, that is just an issue that a lot of people are going to zero right in on.

Secretary WEINBERGER. That is right, but then in the outyears, where you need the savings, you have ballooned it.

[The following was subsequently supplied for the record by DOD:]

Summary of Procurement
By Five-Year Defense Program Mission Category
(Budget Authority, Dollars in Billions)

Category	Fiscal Year 1984	1985	1986	1987	1988
DoD Topline Procurement Estimate:	94.1	119.7	136.4	150.5	170.4
Five-Year Defense Program Procurement Component:	94.1	122.7	134.7	146.5	168.5
Required Adjustment to Five-Year Defense Program Procurement Component: 1/	-	-3.0	+1.7	+4.0	+1.9
Detail of DoD Topline Procurement Estimate					
Strategic Forces:	18.9	23.8	23.0	18.2	20.4
General Purpose Forces: 1/	59.5	75.0	91.7	106.3	121.5
Intelligence & Communications:	7.8	10.8	11.2	13.0	14.4
Airlift and Sealift:	2.7	3.8	4.0	4.4	3.2
Guard and Reserve:	1.7	1.7	1.5	2.7	3.7
Central Supply & Maintenance:	1.7	2.3	2.1	2.5	3.5
Training, Medical, and Other General Personnel Activities:	1.1	1.5	2.1	2.5	2.9
Administration and Associated Activities:	.3	.4	.3	.2	.3
Support for Other Nations:	.1	*	*	*	*
Defense Production Act Purchase: 2/	.2	.3	.5	.5	.5

* Less than $50 million.

1/ Adjustment is required to bring Five-Year Defense Program detail into agreement with the DoD topline procurement estimate. For this analysis, the adjustment is arbitrarily applied to the General Purpose Forces mission category. In actuality, a competitive process will take place which will insure that marginal programs will be deferred/deleted.

2/ Not distributed by specific FYDP mission category.

Chairman DOMENICI. Senator Sasser?

ECONOMIC PROBLEMS TRACED TO VIETNAM

Senator SASSER. Thank you, Mr. Chairman.

Mr. Chairman, we spent a lot of time in this committee this year and last year, trying to determine what to do about this economy. We have listened to a lot of economists tell us what is wrong, and some even are brave enough to venture solutions. But one thing has come clear to me, and that is that we can trace many of our economic problems that we experienced in the 1970's, in the latter part of the 1970's, and the early part of the 1980's, to what occurred in Vietnam in the 1960's. That, specifically, was fighting a war and buying war materials and not paying for them. That, many economists tell us, and I believe, planted the seeds of the whirlwind of inflation that we reaped in the 1970's. Then, in an effort to cool off this economy, we have seen monetary policy pursued by the Federal Reserve Board that has raised unemployment rates in this country to the highest levels in 42 years and put us on the brink, really, of a world depression.

Many think that economic dangers now are taking precedence over dangers from without, that internal dangers, social pressures, political instability, generated by economic problems, should claim more of our attention than that of dangers coming from across the border, from the Soviet Union, or vice versa.

Now, I ask you this question, Mr. Secretary, knowing of your expertise when you sat in the chair as Director of the Office of Management and Budget. What are we to do? What should we in the Congress do? The President and the administration are saying, "We are not going to give up on our tax cut that we passed in 1981, which cost us over $1 trillion; we are not going to cut back substantially on our defense spending," and we on the Budget Committee are sitting here with a structural deficit staring us in the face in excess of $100 billion, with full employment or near full employment. If we had 6 percent employment, if this economy was hitting on all eight cylinders today, we would still be running a budget deficit, we are told of over $125 billion, because we will not raise revenues, or we will not cut defense spending or other spending enough to make up the difference.

CUTTING DEFENSE SPENDING NOT THE SOLUTION

So, my question to you, Mr. Secretary, and I think one that people are asking me across the country, is isn't this time for our defense establishment to be more reasonable, to sharpen its pencils, to look some at this budget and see if they cannot join in the effort to give this budget some relief, because if we do not, we are going to be in even more severe economic difficulty than we are now. Well, that is a speech, and I did not mean to make a speech, but I would like to get your response to that.

Secretary WEINBERGER. I think it is a good speech, Senator, and I do think that there are some valid points to it. Certainly, at the beginning, I agree with you completely, that that was one of the causes, of inflation in the seventies. In effect, it was trying to fight a war, and not letting the American people feel they had to make

the sacrifice that a major war required, not cutting down on nonwar spending as the Vietnam war progressed, and that did sow the seeds of inflation.

I am aware of the size of the deficit and its structural nature, I don't think that anyone is in any way happy with it. My feeling is that we will deal with these problems through growth, and that it is the only way we can deal with them. And I think that we have to do what we can to expand, the economy and increase employment, with all of the benefits that come from that. I do not think that you can get that by reducing necessary spending for defense, spending that makes up for a decade of neglect, and two decades of Soviet increases of the kind we see.

I understand the sensitivity of the problem. I understand the view that some people have that everybody else is taking a cut, you should take yours, et cetera, et cetera. This is not an appropriation that is made to me personally, no matter what some may think, and it is not an appropriation which is for any other purpose than to deal with the very difficult, and very dangerous situation we face. Reducing that appropriation does not reduce your deficit dollar for dollar. It reduces it less than 50 cents per dollar, because you lose the tax revenue, you lose the employment, you add the expenditures that are necessary when you do that. And again I will say, for the fourth or fifth time this morning, you should not have defense spending to stimulate the economy, the assumption that you hurt the economy or you add to our problems by having defense spending, I think, is absolutely wrong. I think you do need to make sure that defense expenditures are the minimum amount needed for the situation—and we cannot afford to be very wrong in any of our estimates—I do not think that the solution is going to come from cutting defense spending. I think it will come from a number of factors that will make and promote growth in the economy as a whole.

REDUCE THE LEVEL OF DEFENSE SPENDING

Senator SASSER. Mr. Secretary, I would respectfully suggest to you we are not talking about cutting defense spending. What we are really talking about is reducing the growth of defense spending.

Secretary WEINBERGER. I understand.

Senator SASSER. And I have long thought for sometime that the answer to our solution with regard to military spending is a gradual and sustainable increase in defense spending over a long period of time.

One of the problems as I see it with our defense spending has been the fits and starts—these great peaks and then these sharp valleys.

Secretary WEINBERGER. Exactly.

Senator SASSER. And I would suggest to you that I do not think, given the state of this economy—and I know my time is up, Mr. Chairman—that we are going to be able to sustain the level of defense spending that you and your associates and this administration are pressing and suggesting. The American people, in my judg-

ment, do not wish it, and the Congress is going to respond to their wishes.

Secretary WEINBERGER. Senator, I know the time is up, but let me just say that we ask for what we feel we urgently need. We think the Nation can afford what it needs for its protection and safety, and I would fail in my responsibility to you and the President if I came in and told you that we could have everything at a lot lower cost, and that we needed a lot less than we have said. I have to make these recommendations, based on my own best judgment, to cast a series of equations that can be very deadly, and if you are wrong, can have results that could be felt for hundreds of years.

So we cannot afford to be very wrong. We think we are asking for the correct amount, and we think we can afford it because we have to.

Chairman DOMENICI. Senator Exon?

Senator EXON. Thank you, Mr. Chairman.

Mr. Secretary and General Vessey, I have two hats, as you know. I listened to you the other day in the Armed Services Committee, and now I am over here with my budget hat on, and some people think that makes it easier. It makes it much tougher.

I recognize the most difficult position that you are placed in, and I want to assure you that my questions are not designed to put you in a defensive posture, but they are to get at some answers that I think are necessary.

COST OF MARINES IN LEBANON IS SMALL

This is not the most important question, by far, but it leads into something that I want to get into. Approximately how much is it presently costing, or has it cost previously, to have our Marines in Lebanon on two occasions, over and above what we would pay them anyway, because they would be here if they were not over there.

Secretary WEINBERGER. The marginal increase, Senator—I would have to get it for you—is not a very large amount. You have the amphibious unit, and the ship support groups, that would be in the Mediterranean or somewhere near there. You have the men, as you say, who would be in the service anyway, but there is a marginal increase, and I will be glad to get it for you. I do not think it is significant, but General Vessey may have an estimate.

General VESSEY. It is very small, because actually, we are taking up the cost in reduced training of the forces that are out there. They would be in the same area, doing other training. They are simply not available for other activities.

Senator EXON. There must be some increased costs.

General VESSEY. Yes, but——

Senator EXON. I would like to have that for the record.

Secretary WEINBERGER. We will get that information for you.

[The following was subsequently received for the record:]

Data provided by the Navy indicates that increased costs in fiscal year 1982 were $23.0 million. Fiscal year 1983 costs incurred through the first quarter of the fiscal year were $28.0 million.

Costs included above directly related to the Marines in Lebanon are small; $0.1 and $0.8 million in fiscal year 1982 and fiscal year 1983, respectively. The major share of

the costs is for fuel as a result of longer ship transits to the Eastern Mediterranean Sea and maintaining a greater number of ship operating days at sea for both the carrier battle group and the Marine Amphibious Ready Group force.

Senator EXON. That leads me into my next question. I can only speak for myself, and I would like to say to you in all sincerity, Mr. Secretary, that what we are seeing today and what you have heard in the Armed Services Committee meetings, and what you have heard here today, is the fact that we are fumbling, a combination of all of us, the great support that was built up for substantial enhancement of our military posture.

I must say that what you are saying today, and the communication that you read from the President of the United States, evidently designed to impress us here, is not going to impress very many people. We have got a problem on our hands, and let us get on with it.

ADMINISTRATION IGNORES CONGRESS UNDER WAR POWERS ACT

One of the problems that we have on our hands that is going to rear its head in the near future is the fact that this administration continues to ignore the legitimate role of Congress under the War Powers Act with regard to the involvement of our troops in Lebanon. The War Powers Act request has never been sent over here by the administration, despite the fact that 14 of the 17 members of the Foreign Relations Committee made such a request last month. I would like to ask you to comment on whether or not and when the response is going to be made to that legitimate request, or what you know about it. And second, I would like to say that I would hope that you, in the important position that you hold and the influence that you have on the President, regardless of how the majority of the Congress feel about the troops in Lebanon today, they have, obviously, a responsibility under the War Powers Act to express their opinion. I think they should not be there. Probably, the majority of my colleagues do not disagree with me on this.

What do you have to say about that, and why are we basically being stonewalled by the administration on what I think is a very serious issue?

Secretary WEINBERGER. Senator, the provisions of the act is not within my specific area of responsibility, but I believe that they have been fully complied with.

The possibility of conflict is, I believe, the point at issue here, and it is the judgment of the administration and of the President that the conditions under which the Marines are in Lebanon is not one where there is an imminent danger of hostilities to them. They went in under the previous mission, which was to get Beirut cleared of the PLO without any massacre within the city, they completed that mission and completed it very successfully and were brought out. It then became necessary as part of the overall peace effort of the President, to try to secure the withdrawal of all of the troops from Lebanon and all foreign forces. They were there and required to be there along with the French and the Italians, because the troops are very closely engaged. To allow them to disengage and move back to permit any kind of withdrawal plan, when there is obviously a lot of suspicion and problems is difficult.

So the multinational force, of which the Marines are a part, was designed to be expanded to its present strength to try to insure that sufficient confidence was there on both sides, so that when a withdrawal agreement is reached, they can move out.

NOT AWARE OF ANY VIOLATION UNDER WAR POWERS ACT

But I am not aware of any violation of the War Powers Act. They are there with full notification to the Congress and with full notification as to the conditions. We have briefed many times, and are always happy to do it again, on all the material that we have about the operation, and it is something that I think is important to preserving the peace in a very volatile part of the world which, if it exploded, it could ultimately involve us in a much qreater conflict.

Senator EXON. Well, Mr. Secretary, if the administration does not realize that the excuse that they have been given, that the Marines are not in danger of imminent involvement in hostilities, then the administration is not advised of what has been happening of recent date over there. It seems to me that that is one more of the unrealistic approaches, stonewalling, that the administration is taking, and I think you do so potentially at the further peril of the overall defense budget.

I have further questions, but I will save them for the second round, Mr. Chairman.

Chairman DOMENICI. Thank you very much, Senator.

Let me discuss here with the committee members and the Secretary, the timing. Mr. Secretary, what is your schedule?

Secretary WEINBERGER. I am 5 minutes late for a meeting with the President right now, Mr. Chairman, but I have always tried to accommodate to the wishes of all the committees so obviously, I will stay as long as you wish me to.

Chairman DOMENICI. We have five Senators here——

Senator METZENBAUM. How about allowing 2 minutes each, Mr. Chairman.

Chairman DOMENICI. How does that sound?

Senator KASTEN. I just have one question, Mr. Chairman.

Chairman DOMENICI. All right, let us try 2 minutes.

LEASING PROGRAM IS A CONCERN

Senator METZENBAUM. Mr. Secretary, I am much concerned from a budgetary standpoint, as well as from the means and method of operating our Government expenditures, about this program of leasing instead of purchase.

There are 13 ships already leased to be used as floating warehouses by the Navy, at a cost of $5 billion for a 25-year lease; 25 adversary aircraft by the Navy are being explored; 124 executive-style jets by the Air Force to replace the P39-A Sabreliners; 5 T-5 tankers used for retail delivery of petroleum by the Navy.

Now, Mr. Secretary, I am not even going to get into a discussion with you about the fact that Coopers and Librand has said that this could cost as much as 160 percent of the purchase price to do it by the leased method. But there is not any question that there is a cost factor involved, and the Navy has attempted to justify it on

the basis that, well, people might otherwise get these tax breaks that come from the investment tax credit, depreciation, deducting interest on loans used to finance the items.

What concerns me is (a) the fact that we lose control of the appropriations process by using the leasing process, and (b) we lose control of the budgetary impact by use of leasing.

Now, rather than come down on the question of whether it is right or wrong—and this Senator thinks it is the wrong way to go—I wonder whether or not you would be willing as the Secretary of Defense, to advise each of the departments that until Congress has enunciated its position with respect to this matter, that no further leases would be put in place?

I believe that this committee does have a very strong interest. I am certain the Appropriations Committee does. I would suggest that the Armed Services Committee does. And I am asking you not to say that it is wrong or right—although, again, I think it is the wrong way to go, as a businessman—but I am questioning whether you would be willing to hold this matter in abeyance and have the Navy, Army, Air Force, and Marines hold in abeyance until Congress may enunciate its views on the subject.

LEASING TWO SHIPS SAVES MILLIONS

Secretary WEINBERGER. Senator, I do not know how long that would take, and we want to make all the savings we can. We only do leasing when it results in a savings, and the leasing of the two naval ships, which is the only leasing that we have done specifically in the past year, will have a net savings after all considerations of $28.4 million, and it seems to me that is worthwhile getting. Now, you talked about Air Force and two or three others——

Senator METZENBAUM. Well, Mr. Secretary——

Secretary WEINBERGER [continuing]. And we are not in those yet.

Senator METZENBAUM [continuing]. Coopers and Librand told you it cost more. Now, that 28.4 percent—and I tried to stay away from the issue itself—but the 28.4 percent does not take into account the losses that the Treasury has by reason of the lease-back arrangement.

Secretary WEINBERGER. Yes, it does, sir; our analysis shows it does exactly that. It is $28.4 million, not 28.4 percent.

Senator METZENBAUM. Well, Mr. Secretary, it does, because the Secretary of the Navy, Mr. Lehman, assumed that the corporations would get the same tax advantages that they would get somewhere else. Now, I am not trying to argue the merits with you.

Secretary WEINBERGER. All right.

Senator METZENBAUM. I am asking you whether you would be willing to hold it in place so that the Congress might react to it.

Secretary WEINBERGER. I understand the 2 minutes are up—but in this particular case, Senator, all of the committees concerned were consulted about this matter. This specific lease case was presented and all of them approved it. All of the GAO people were consulted, and they approved it as well. So, before we did this lease, we had full consultation with all of the people immediately concerned. We do not have immediate plans to do any other leasing. We are examining them. If they turn out to be very cost effec-

tive, we would do exactly what we did with this. We would notify and discuss it with the committees and with GAO, and if everybody was in agreement, we would proceed with it, as we did on this, but only after full consultation.

Senator METZENBAUM. Mr. Chairman, I know my time has expired, and I appreciate the fact that we do not have jurisdiction. But I have the feeling—not have the feeling, but I know—that it has a budgetary impact. And I would therefore wonder whether the Chair would not be willing to ask the Secretary of Defense at least to hold this matter temporarily in abeyance, since they do not have anything planned for the moment, until such time as the Budget Committee can give full consideration to its real impact on the budget. It certainly does, if you make this a general proposition across the board, have tremendous impact, because they will never buy anything anymore, they will just lease everything.

NO IMMEDIATE PLANS FOR LEASING

Secretary WEINBERGER. We do not have immediate plans to do more Senator, and as I said, we have had full consultation with the committees concerned. We would be glad to consult with you, as we have with GAO and the other committees. There is a net savings to us for the two ships, that is taking into account all of the factors including Treasury outflow, and that is exactly why we have done it.

Chairman DOMENICI. Well, Senator Metzenbaum, at this point, I would think that, just speaking at first blush to the issue, we have enough problems as a committee. I think it is quite obvious that it is within our purview to ask how it impacts on costs, but I really do not think it is jurisdictionally our issue. I think Armed Services and Appropriations ought to be concerned about it, and we can from time to time, as you have, inquire. If you need more information or some for special occasion to bring them back and ask them more about it, I think the Chair would prefer, with Senator Chiles agreement, to confer with the Armed Services Committee and others, and see what their reasoning is.

Senator METZENBAUM. Mr. Chairman, may I at this point put in this record this material, the Spinney material, of the Department of Defense, indicating how to respond, on behalf of Senator Grassley and myself.

Chairman DOMENICI. Indeed.

Senator METZENBAUM. I would ask that it be included in the record between Senator Grassley's original comments and mine.

Chairman DOMENICI. Indeed.

Senator METZENBAUM. Thank you.

[The following was subsequently received for the record:]

THE "SPINNEY MATERIAL": WHAT DOES IT SAY? IS IT TRUE? HOW SHOULD THE DEPARTMENT RESPOND?

WHAT DOES IT SAY?

The Spinney material was prepared as part of DOD's ongoing program of cost analysis. It is only one part of a much larger effort. (There is no single "report," and certainly none written by Spinney, although he discussed his findings with a number of DOD staff members.)

Spinney took the historical FYDP starting with fiscal year 1976, and the fiscal year 1984 POMs, and graphed the unit procurement costs for a number of major systems.

Until the fiscal year 1984 POM, you often see a pattern where outyear procurement costs "don't come true."

Spinney therefore concluded that it was unwise to plan on outyear unit cost reductions. Others have used this finding to argue that the outyears are "underfunded."

IS IT TRUE?

While the mechanical calculations are (now) correct (Spinney's initial presentations contained an error), you cannot necessarily draw Spinney's conclusion from the calculations. Nor can you fairly conclude that the outyears are underfunded.

First, historical unit procurement costs derived from the FYDP are not a good way to analyze likely future unit cost behavior.

They include one-time costs (initial tooling and spares). In the past, these items were not always funded properly in the early years of a program with the result that outyear predictions were affected.

They include support items. Again, in the past these were not always properly funded in the early years of our programs. "Catching up" in later years can distort the observed unit costs.

Second, unit costs are affected not only by the total quantity of items bought over time, but by the rate at which they are bought. Increases in outyear costs caused by a slowdown in the rate of acquisition are not reflected in the curves put together by Spinney. Instead, these show up as "poor" prediction.

Third, even though the unit cost calculations were done in "constant" dollars, they used an average deflator for this purpose. Price experience in individual programs can differ from the average, significantly affecting actual unit cost experience.

Fourth, many of the significant increases in unit costs observed by Spinney occurred with the fiscal year 1982 budget (as amended), and the fiscal year 1983 budget. Often, these reflected the Reagan Administration's correction of the underfunding problems it inherited. Thus, the Administration's acknowledgment that it inherited a problem, its attempt to be truthful about the dimensions of that problem, and its attempt to fix it, are being used to question the veracity of its future forecasts! In fact, when you look at the POM 1984 estimates it does appear that the worst of the problems have been corrected.

HOW SHOULD THE DEPARTMENT RESPOND?

Yes, there were underfunding problems in the past, but this Administration has moved quickly to correct the problems it inherited, and to put in place a set of procedures to preclude them from recurring.

The fiscal year 1982 and fiscal year 1983 unit cost increases reflect this Administration's attempt to correct the inherited problems. The Administration should not be punished for bringing the "bad news" to the attention of the Congress and the public. We believe the worst of the bad news is behind us, and that is improper to project the fiscal year 1982 and fiscal year 1983 increases into the future. The fiscal year 1984 POMs tend to confirm this.

Moreover, to preclude past cost problems from recurring, the Administration has: Introduced a separate commodity index for major defense programs, to improve our forecast of future inflation; directed the Service Secretaries to consider independent cost estimates for major programs in preparing their budgets; and mandated OSD review of independent cost estimates for a subset of systems, and adjusted the budget based upon the findings of these reviews.

In short, the Administration is implementing the goal it set in the Carlucci initiatives: budget to most likely cost. No longer is the budget for a major system simply what the program manager estimates. Independent reviews have been initiated. More important, they are being used to help prepare the budget submitted to the Congress by the President.

Chairman DOMENICI. Senator Exon, it is not your turn, but did you want another round?

Senator EXON. I want another round, yes.

Chairman DOMENICI. All right.

Senator Kasten?

Senator KASTEN. Thank you, Mr. Chairman.

Mr. Secretary, judging from the questions, I think we are reaching a consensus here. It is clear that there are going to be some changes made in the President's request.

Last year, we adopted a budget resolution, that assumed $8.6 billion less in Defense. In the Defense Appropriations Subcommittee deliberations later in the year, we ended up meeting with you and Mr. Carlucci to determine the best way to make those cuts.

Would it be possible for you to provide us with a budget based on real growth rates in defense spending of 8, 6, and 4 percent? I would like to know what you and your experts would do in order to fit within the guidelines, rather than the 10 percent that you have requested?

REDUCTIONS NOT RECOMMENDED

Secretary WEINBERGER. Senator, we would be glad to show you the effect of changes of that kind. We cannot recommend a path or anything of that kind, because percentage increase is not really a very relevant figure. What we have to look at is what it would mean in the loss of the things needed to acquire the things that the Nation requires to maintain its security. But we would be glad to show you the effects of particular kinds of cuts, with a variety of different sorts of reductions, none of which we would recommend.[1]

Senator KASTEN. That is just the point. I recognize that this is not the authorizing or the appropriating committee, but there are authorizers and appropriators who are sitting here. And, rather than go across-the-board, and cut everything by some percentage, we should make specific assumptions. We could probably stretch out a program or two, cut whole programs, and/or keep some programs exactly as they are. The point is that the reductions would be based on a thoughtful analysis.

Secretary WEINBERGER. Again, Senator, we can show you different effects that such reductions would have, but we cannot recommend or present to you anything that we would agree upon if some hypothetical reductions were later made in those particular amounts. We have a responsibility to tell you what we think is needed, and we are fulfilling that responsibility, just as the President is when he submits his budget. We obviously will be glad to work with you in any way you want. We will submit any kind of lists of what cuts would do, and we would also submit lists of programs and weapons systems that we have already cut in order to arrive at the figure that we have before you.

Senator KASTEN. Thank you.

Thank you, Mr. Chairman.

Chairman DOMENICI. Senator, let me take a couple of my minutes here.

I wonder if, rather than having the Secretary respond to that question in that manner, if we might not sit down with our staff and submit two or three outlay and budget trend lines that are indeed consistent with what you have said; that instead of 10, we

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[1]The response to this question can be found on p. 210 of these hearings, in a letter to Senator Domenici dated March 1, 1983, from the Department of Defense.

will submit one that is 8, one that is 6, and get a variety, and we would ask officially that the Secretary tell us what he would have to take out of the budget, as they see it, in order to reach those goals.

Is that what you want?

Senator KASTEN. Yes; I want to get a sense of where we are going.

Chairman DOMENICI. Indeed.

Senator KASTEN. In my opinion, the decision on defense spending is going to be made within the next 3 weeks. Based on what we did last year, we are going to stay within those guidelines all the way through the process, so this is the time for a decision.

Last year, we ended up at a breakfast meeting in which we finally came up with the $8.6 billion in defense cuts. I want to know how bad a lower level of defense it would be, and what those choices are going to be down the line.

PERCENTAGES ARE NOT THE ISSUE

Chairman DOMENICI. Mr. Secretary, in the past, we have handled the question differently, and I tend to understand your reasoning when we ask you—I think I did—to submit a budget of 6-percent real growth; I want to say to you frankly that I think if we asked the question in the manner described, that if you then tell us what you would take out, it would serve a very useful purpose. I do not think it harms your position; for it also provides objective information to those who want to defend your positions. For those who want to depart substantially from it, I think they have two options—to disagree with what you would take out, or to support an adequate defense without the programs you identify. So I would urge that you try to help us with that. We will have the requests in in a budgetarily sound manner, so that the regular ups and downs that you have already predicted are left there, but percentages changes are effected.

Now let me answer your observation that this is not an issue of percentages. I tend to agree with you. However, I would recall for you that in this country, we have generally built defense budgets around trend lines authorized by Congress that are indeed percentages. I mean, that is how we got a new trend line before you came into office. We added 5 percent real growth to the Carter budget and put it in for 5 years. Likewise, when you took office, the plan contained a percentage growth path. Therefore, I do not think it is unreasonable for us to analyze the defense budget in those terms.

So we will try to be orderly and get it to you in one package. I would assume more committees than ours want it, but we will try to put it together and get it to you.

Secretary WEINBERGER. Mr. Chairman, I would have to warn again that any impression that anyone might try to gain from this to the effect that these were cuts that were recommended by the Department of Defense is totally wrong. We do not recommend any cuts.

Chairman DOMENICI. I understand.

FURTHER CUTS WOULD DAMAGE NATIONAL SECURITY

Secretary WEINBERGER. And I would like to read again the President's last line, which is that he "was and is of the firm view that we have reached the bone, and that any further cuts would do severe damage to our national security." This morning the President asked me to reemphasize that he is firmly opposed to any further cuts and asks the committee's help in assuring against them.

Chairman DOMENICI. We understand. Mr. Secretary, it would seem to me that you would welcome an opportunity to show the damage that would be done if we cut; that is really what we are really asking for.

Secretary WEINBERGER. Well, that is what I indicated to Senator Kasten that we would do; we would show the effect and the damage, as you correctly put it, of various forms of reductions. In any event, we are always glad to try to work with the committee. But I think we have to start with the understanding that we feel we are here with what is essential, and we would obviously like to spend more time in demonstrating the essentials that in trying to work out the negative impact that would come from reductions which we hope will not be made.

Chairman DOMENICI. Senator Riegle?

Senator RIEGLE. Mr. Secretary, yesterday afternoon, we had a panel of leading business people here to make a bipartisan presentation on their views as to what ought to be done to the economy. This is a copy of a newspaper article that they have run in the country. The group is headed by, among others, William Simon, Pete Peterson, Douglas Dillon, John Connally, and other prominent Republicans and Democrats, well-known to yourself.

They specifically recommend a cut of $25 billion in defense spending in 1985. I urge you to take a look at this. This view extends far beyond that of members of the committee today.

PANEL KNOWS NOTHING ABOUT DEFENSE BUDGET

Secretary WEINBERGER. I have taken a look at it, Senator, I have asked some of them where we are to cut and they uniformly say, "We do not know. We do not know anything about the defense budget. You have just got to get it down."

Senator RIEGLE. Well, I think perhaps their suggestion is a good one, and I would hope you would heed it.

Now, on the second point, you said earlier that the State of Michigan ought to reflect, I guess, with some care about the defense jobs that it gets. We do not get very many. We are fourth from the bottom of the 50 States in per capita spending on defense, and that pattern is a very pronounced one toward our region of the country. As a matter of fact, I want to insert in the record the Department of Defense data on per capita spending by State, which bears that out.

[The following was subsequently received for the record:]

TABLE I
DISTRIBUTION OF DEFENSE EXPENDITURES, FISCAL 1983[a]

Region and State	1983 Expenditures (in thousands of dollars)	Population	Per Capita Expenditures[b] (in dollars)
NEW ENGLAND			
Connecticut	998,328	3,107,575	321
Maine	469,190	1,124,660	417
Massachusetts	2,115,148	5,737,037	369
New Hampshire	900,544	920,610	978
Rhode Island	702,374	947,157	742
Vermont	75,244	511,456	147
Total	5,260,828	12,348,493	426
MID-ATLANTIC			
Delaware	276,855	595,225	465
Maryland	4,788,905	4,216,446	880
New Jersey	2,472,041	7,364,158	336
New York	2,788,309	17,557,288	159
Pennsylvania	3,435,386	11,866,728	289
Total	13,761,496	41,599,845	331
MIDWEST			
Illinois	3,259,888	11,418,461	285
Indiana	1,103,911	5,490,179	201
Iowa	325,022	2,913,387	112
Michigan	1,104,571	9,258,344	119
Minnesota	503,911	4,077,148	124
Ohio	2,941,356	10,797,419	272
Wisconsin	358,304	4,705,335	76
Total	9,596,963	48,660,273	197
SOUTH			
Alabama	2,395,143	3,890,061	616
Arkansas	685,098	2,285,513	300
D.C.	3,668,648	637,651	5,753
Florida	5,897,482	9,739,992	605
Georgia	3,987,892	5,464,265	730
Kentucky	1,420,870	3,661,433	388
Louisiana	1,462,686	4,203,972	348
Mississippi	1,326,777	2,520,638	526
North Carolina	3,336,762	5,874,429	568
Oklahoma	2,515,446	3,025,266	831
South Carolina	2,578,546	3,119,208	827
Tennessee	1,045,201	4,590,750	228
Texas	8,334,169	14,228,383	586
Virginia	12,102,646	5,346,279	2,264
West Virginia	164,668	1,949,644	84
Total	50,922,034	70,537,484	722

TABLE I (continued)
DISTRIBUTION OF DEFENSE EXPENDITURES, FISCAL 1983[a]

Region and State	1983 Expenditures (in thousands of dollars)	Population	Per Capita Expenditures[b] (in dollars)
WEST			
Alaska	984,886	400,481	2,459
Arizona	1,705,951	2,717,866	628
California	19,260,865	23,668,562	814
Colorado	5,972,815	2,88,834	2,068
Hawaii	2,071,003	965,000	2,146
Idaho	312,436	943,935	331
Kansas	1,078,411	2,363,208	456
Missouri	2,254,470	4,917,444	458
Montana	253,657	786,690	322
Nebraska	748,047	1,570,006	476
Nevada	695,696	799,184	871
New Mexico	1,493,543	1,299,968	1,149
North Dakota	416,876	652,695	639
Oregon	351,075	2,632,663	133
South Dakota	288,517	690,178	418
Utah	1,495,363	1,461,037	1,023
Washington	2,943,739	4,130,163	713
Wyoming	188,712	470,816	401
Total	42,514,062	53,358,730	797
NORTHEAST	19,022,324	53,948,338	353
MIDWEST	9,596,963	48,660,273	197
NORTHEAST AND MIDWEST	28,619,287	102,608,611	279
SOUTH	50,922,034	70,537,484	722
WEST	42,514,062	53,358,730	797
SOUTH AND WEST	93,436,096	123,896,214	754
U.S. TOTAL	122,055,383	226,504,825	539

SOURCE: Staff calculations from U.S. Department of Defense, Estimated Expenditures for States and Selected Areas (Washington, D.C., 1981, 1982, and 1983).

[a]Includes: Civilian, military, reserve, retired, and National Guard pay; expenditures for research, development, test, and evaluation; operations and maintenance; and military construction (including family housing construction).
Excludes: Major procurement consisting of contractual, operational, and support other than military construction; civilian pay for civilian functions (i.e. civil works programs).
Data is based on the president's budget as submitted to Congress; the figures are in Budget Authority.

[b]Based on constant 1981 population figures.

Senator RIEGLE. But moreover, the Northeast/Midwest Coalition has just done an analysis, which I hope you are familiar with, which indicates—now, get this, in terms of where the defense establishment is located and where the spending goes on in this country—in the South and West, we find two-thirds of all defense installations, four-fifths of all military personnel, and two-thirds of all prime contracts. And an initial analysis was done on the 1983 budget, which indicates that 75 percent of all direct Department of Defense contract expenditures were in the South and West. So there is an enormous imbalance in how this money is spent. This is a separate and entirely different point from the question of the aggregates. But I think when you make the suggestion—and I hope there was not an implied notion that if cuts in defense are to be made, that Michigan somehow will be asked to bear further more the brunt of that than some other States—but the fact of the matter is, there is no equity in the way these expenditures are spread today. The data shows that, and we have talked about that before, but very little has been done to correct that, and I would hope that something could be done to correct it.

ALLOCATIONS BASED ON LOWEST RESPONSIBLE BIDDERS

Secretary WEINBERGER. Senator, if we made allocations of defense contracts on the basis of either electoral votes or regions of the country, or any other basis other than the lowest responsible bidder or the lowest responsible provider, I am sure you would be the first to jump up and down and tell me how much money I was wasting.

Senator RIEGLE. You are saying, I guess, then, that the only people who can provide defense capability, whether we are talking about installations, personnel—let us leave contracts aside—why do all of the military bases have to be in the South and West?

Secretary WEINBERGER. I am saying they were selected over the years, for a number of reasons. We have not established any new bases. We take what we find, and use what has been established—for weather reasons, or any one of a number of reasons. The bases that are in place are what we deal with.

The contracts that we allocate are awarded to the lowest responsible bidders, the most responsible providers, we do not have the luxury of saying that more should go to one State or another because of high unemployment or low unemployment. We do have some, as you know, or as you should know, that we set aside for small business and minority business. Sometimes those cost us a little more. It is a social policy of the Congress, and we follow it.

But we have no ability to take contracts from one place and put them someplace else, simply because we want a particular section of the country to prosper, or others not to prosper, or reasons like that. We let contracts to the lowest responsible providers of the things we need.

Senator RIEGLE. Well, my time is up, and I would just conclude by saying that with respect to bases, and with respect to deployment of personnel, which is something that the Department has some greater flexibility with, that you ought to try, I think, to put the forces throughout the country, and that areas that are picking

up the bulk of the tab for the defense budget ought to see some of that money recycled into their areas. You yourself suggested as much—I mean, that was implied in your earlier comment—but the facts show there is a major distortion here, and if that is something that you are concerned about, I would like to see something done about it.

Secretary WEINBERGER. I did not say there was any major distortion. I said the allocation was based on the lowest responsible bidders. That is not distortion. We cannot go to a place that has a high bid, because that would cost more, and as I said, I am sure you would be the first to point it out.

Senator RIEGLE. We are talking about bases.

Secretary WEINBERGER. We are talking about everything—bases and allocations of contracts. We have set up no new bases. Our bases are those that have been there for sometimes 50, 60, 100 years.

Chairman DOMENICI. Senator Quayle?

INCREASE GOES TO OVERALL READINESS

Senator QUAYLE. Mr. Secretary, we have heard a lot of discussion today about the O&M account, and nobody wants to cut back on readiness. As a matter of fact, you have been one of the strong advocates of trying to return to readiness. You and the President have had this as a very high priority.

I was looking at the O&M account, and the program 9, which I believe is nonreadiness expenditures, if I am correct. In the program 9, you have got an increase from $3.1 billion to $4.9 billion, about a $1.8 billion increase, and that is nonreadiness. And I just wonder if there is an explanation for this because I support what you are trying to do. I think the majority here support a return to readiness; however, this is a nonreadiness account, and that is a whopping increase. And if we could save half of that, or even freeze it at the last administrative support level, it would certainly be helpful.

Secretary WEINBERGER. First of all, it has come to my attention that there is a statistical error in program 9 in the fiscal year 1983 column of the fiscal year 1984 budget presentation. The fiscal year 1984 budget was submitted using the appropriation account structure. The Major Force program [MFP] data are developed later, normally in February. In order to provide some trend analysis in major force programs, concurrently with the budget release and submission to Congress, preliminary data are developed on a factor basis. In this process, a computational error was made. When the FYDP is updated, the amount allocated to program 9 will be about $4.1 billion instead of $3.1 billion.

Although program 9 does fund such items as public affairs, historical centers, White House helicopter support, et cetera, it is misleading to cite program 9 as being totally administrative, nonreadiness programs. Substantial increases are included in direct support of readiness operations. The planning and design funds in our military construction accounts are carried under program 9, as they support activities ranging across the full FYDP spectrum of programs.

Overall, readiness increases $6.9 billion in this budget. We have large operation backlogs, and maintenance backlogs, Senator, as you know, and we are trying to reduce these. Some of them may be directly connected with the units in the field; some of them may not. But all of it goes to improve the overall readiness of the forces.

Senator QUAYLE. I understand that but I understand that what goes into that program 9 account is supposedly nonreadiness money; if that is the case, it is certainly an area that we might take a closer look at.

Secretary WEINBERGER. Perhaps we need a better title, because the simple fact of the matter is that the money goes to improve readiness and to reduce operational and maintenance backlogs, and it is important to do that, because some of these backlogs have existed for 10 or 12 years.

COMMUNICATE ON WHAT BUDGET IS GOING TO BE

Senator QUAYLE. I understand. My time is about ready to run out. I just want to reiterate in all sincerity, and to pick up on what the chairman and Senator Kasten and others have brought out, that hopefully, we can communicate with you on what the budget will include. I really think, in all honesty, that the worst thing for this country would be to get into a big brouhaha, a knockdown, dragout, fight on what defense spending ought to be. If we can have communication and input into our considerations, I think we are going to be far better off. And I certainly appreciate your willingness to come forth with this. I know your position. I know the President's position—believe me, it has been stated time and time again. And we are in a different phase of the process now. The only way, Mr. Secretary, that we can have the confidence factor is to really go along the lines of what the chairman and others have said. That is a two-way street. I know it is early on in negotiations, and everyone has to stake out their positions. I certainly support you and the President for trying, and putting national security back into the No. 1 category. There really has got to be a concentrated effort to try to get a better understanding of what the Budget Committee must decide.

Secretary WEINBERGER. We are delighted to do anything we can to improve the understanding and the nature of our requests, and I am very pleased and relieved that you do not think there has been any ambiguity in my position this morning.

Senator QUAYLE. Unfortunately, there never is. [Laughter.]

Chairman DOMENICI. Senator Exon?

Senator EXON. Thank you, Mr. Chairman.

BROUHAHA ABOUT TO DEVELOP

Mr. Secretary, I endorse what my friend and colleague from Indiana has just said. We do not want to get in a brouhaha. But I feel that there is one about to develop. You are about to send up, as I understand it, a supplemental of about $1.6 billion, rescissions of about $5 or $6 billion, a net of about $1 billion supplemental, and many of the programs that you are advocating have already been turned down by the Congress, and many of the things that you

want to rescind are the things that the Congress has indicated that they want.

This leads me into quoting from the current edition of "Aviation Week" wherein they say:

> The President's MX Blue Ribbon Committee is about to recommend the placement of 50 MX missiles in Minuteman silos at Francis E. Warren Air Force Base, simultaneously continue detailed theoretical and experimental studies of closely spaced basing, with deceptive capsules or accelerate an experimental test program for superhardened capsules for closely spaced basing, and conduct active research and development on the small ICBM.

Now, if this is true—and you must know something about it. I would like to have you amplify however you can—if this is true, it says that the administration is right back to ground zero, where they have been for a long time, and the Congress has resisted time and time again, on the basing of the MX in what obviously would be vulnerable Minuteman silos.

I think if that is true, it is a sham; I think we are going to get into a big brouhaha about it. In fact, I would predict that if that is the recommendation of the Blue Ribbon Committee and supported by the President, that even the supplemental will not have much of a chance.

Secretary WEINBERGER. Well, you are assuming an awful lot there, if I might say so, Senator. You are assuming first of all that that article is accurate——

Senator EXON. Well, is it?

DO NOT PLAN COURSE OF ACTION ON NEWSPAPER ARTICLE

Secretary WEINBERGER. I have no idea. This commission is not under the Department of Defense. It as a Presidentially appointed commission. They have been meeting for 3 or 4 weeks; they will continue to meet through the rest of this month. They will submit their report to the President when they are finished with it, which I hope will be sometime in February, and he will then decide what he wants to do with it.

But to assume a whole course of action from some newspaper article or some trade journal or whatever it is, seems to be, if you will permit me to say so, unwarranted at this time.

Senator EXON. Not from the record of this administration in the past.

Secretary WEINBERGER. I do not have any idea what the commission will recommend, Senator. It is not our position in any sense to meet with them—we give them all the help they want; and all the support or briefings they want. But they will have to make up their own minds, and to the best of my knowledge, they are not even close to doing that yet.

The Congress, as you say, forbade us to put these missiles on a temporary basis, interim basis, into Minuteman silos, and they also forbade us to consider one or two other basing modes, and they required a report by the President December 1. He complied with that, and the Congress did not want to fund on that basis at that time. The commission was appointed and has been meeting, and I have no idea what they will come up with. I have no idea, if they do come up with something, whether the President will accept it, because it is only an advisory commission.

Senator EXON. Well, then, consider my comment a friendly, considerate warning shot across the bow, so that we will not get into a brouhaha about that again.

Secretary WEINBERGER. I will pass it on to "Aviation Week." [Laughter.]

Senator EXON. Thank you. You might pass it on to the decision-makers that you deal with, also.

Secretary WEINBERGER. All right, sir.

Chairman DOMENICI. Let me make an announcement. We are going to meet promptly at 2 o'clock this afternoon for a panel. However, I have been advised by the Republican leader that there will be a Republican conference promptly at 3 p.m. We will try to get as much as we can in in an hour, and if we do not have enough completed, we will return.

Mr. Secretary, before you leave, I would just like to make one observation. I think you sensed here from the committee that there is a bona fide disagreement between many of the members as to what level of defense spending we can afford and what we need. And I think that is in the best spirit and tradition of what goes on here. I would add in closing, however, that I truly regret that it was in a committee that I chair that matters went beyond, in my opinion, that kind of approach. It seems to me that there is not much I can do about it in the setting that we have, but to accuse Cap Weinberger of being responsible for all of the economic woes of this country and the unemployment that exists in any of the respective States of Senators here and across this country is, at best, an exaggeration and probably, at worst, a distortion that probably does not even deserve my comment. I felt I should do it anyway.

There is no need, as you know, for me to say anything more than that. We will continue to agree and disagree, and hopefully, we will arrive at some satisfactory conclusion. You will do your job, and we will do ours.

Secretary WEINBERGER. Yes, sir.

Chairman DOMENICI. I thank you very much for your demeanor and your patience.

Secretary WEINBERGER. Senator, I do appreciate very much your courtesy with which you presided over this committee, any appreciate as always the fine friendship that has existed between you and me, and always will, and most of the other members of the committee. So it is an extremely courteous and generous remark that you just made. What was said does represent somewhat of an extension of some of the comments that have been made in the past about the defense budget, but I am sure that that is a part of the risk that goes with service in Washington.

But I do appreciate your comments very much.

Chairman DOMENICI. We stand in recess.

[Whereupon, at 1 p.m., the committee was recessed, to reconvene at 2 p.m., this same day.]

AFTERNOON SESSION

The committee reconvened, pursuant to notice, at 2 p.m., in room 6202, Dirksen Senate Office Building, Hon. Pete V. Domenici, (chairman of the committee) presiding.

Present: Senators Domenici, Kasten, Quayle, Gorton, Chiles, Sasser, and Exon.

Staff present: Stephen Bell, staff director; Charles Flickner, senior analyst for national security and international affairs; Richard N. Brandon, minority staff director; and Richard Koskella, analyst for national security and international affairs.

Chairman DOMENICI. The committee will come to order.

OPENING STATEMENT OF CHAIRMAN DOMENICI

With the election of Ronald Reagan in 1980, the American people voiced their desire that America bolster its military capabilities. The President proposed an ambitious defense buildup, adding $116 billion to existing defense spending plans for the 5-year period ending in fiscal year 1986.

Last year in the budget deliberations, we heard much discussion about the ability of the defense industry to expand at such a rapid rate. The discussion centered on industrial capacity and the dangers of creating additional inflationary pressures.

As we analyze the fiscal year 1984 Reagan budget request, we see some disturbing trends. Cost growth is continuing in many of the procurement programs including some of the large ones. This cost growth is causing DOD to reduce the quantities of weapons being purchased. The slower production rates in turn raise unit prices and the vicious cost escalation cycle starts all over again.

CHRONIC PROBLEMS HAVE PLAGUED THE PENTAGON

Many people had hopes that the Reagan administration with its emphasis on more resources for defense and broad public support could begin to attack some of the chronic problems that have plagued the Pentagon over the years. While some progress has been made, dissatisfaction with this administration's handling of the Pentagon is building in many quarters—including some of the President's staunchest supporters.

The problems are many and they are not new—interservice rivalry and bickering, failure to focus on a coherent defense strategy, lack of effective long-range planning, inability to turn off nonproductive R&D projects, lack of accountability in the decisionmaking process, failure to adequately coordinate our security interests with those of other nations, and many others.

Congress must share much of the blame as well, since the current annual authorizing and appropriating process make it virtually impossible for DOD to provide consistent management over the 10- to 15-year period it takes to design, produce, and field a weapons system. Congress also has not done very well in providing DOD a regular appropriations bill prior to the start of each fiscal year.

Today we will hear some outside views on the topics I have mentined. Dr. Robert Pranger is an expert on international security issues and will give us his views on our approach to security issues, especially as they relate to several important areas of the world.

Dr. Jacques Gansler, author of "The Defense Industry" will discuss the problems associated with the defense modernization program. Retired General David Jones has been at this table many times in his former capacity as Chairman of the Joint Chiefs of

Staff. Today we welcome him again to provide us with his views on our military capabilities and how we can improve them.

The ability of the Congress and DOD to correct some of the fundamental problems which we will hear about today is key to maintaining support for an adequate defense. Failure to correct these problems will erode the public support for defense and send us back into the on-again/off-again funding cycle for DOD that has been so disruptive in the past.

I understand, Dr. Gansler, that your first name is pronounced "Jack," is that right?

Dr. GANSLER. Yes.

Chairman DOMENICI. I am not sure how many of my Senators on this side are coming this afternoon. We have an indication that some are. I announced that the Republicans have a caucus at 3 p.m., but I am informed that it may be a very brief one, for purposes of just formally voting chairmen that have been heretofore approved for the whole Senate. If that is the case, I will know shortly, in which event we will not be on such an expedited schedule, and if I have to leave, I will go and do that, and Senator Chiles—can you stay beyond 3 p.m., Senator Chiles?

Senator CHILES. I can stay until about 3:15 p.m.

Chairman DOMENICI. Fine.

Why don't we start with Dr. Gansler. You have prepared testimony.

Senator Chiles waives his opening statement.

Please proceed Dr. Gansler.

STATEMENT OF JACQUES S. GANSLER, VICE PRESIDENT, THE ANALYTIC SCIENCES CORP.

Dr. GANSLER. It seems to me that this committee and the Nation are faced with a serious dilemma. The deficit has to be reduced, and there obviously are essential social needs, so as a result, the defense budget is under attack.

NEED TO STRENGTHEN AMERICA'S NATIONAL SECURITY POSTURE

But across the spectrum of politics, there is at least general agreement on the need to strengthen America's national security posture, and what seemed to have happened is in the post-Vietnam period, we dramatically reduced our military procurement while the Soviet Union was continuing to build up theirs.

The result, therefore, in terms of required short-term action has been a significant increase in America's defense budget.

The dilemma comes in the fact that, even though we have been increasing the budget since the mid-1970's, the cost of military equipment has been rising even faster, for reasons ranging from cost overruns to increased demands for higher and higher performance systems, to the ravaging effects of double-digit inflation in defense goods. By the way, that is far higher than comparable inflation in nondefense items.

Thus, in the second half of the seventies, even with the increased procurement accounts, the United States continued to obtain fewer and fewer weapon systems—fewer planes, ships, and tanks. Additionally, by the end of the decade, there was a growing recognition

of the deteriorating status of the U.S. defense industrial base, both in terms of efficiency and in terms of its responsiveness. And finally, reports about the low state of readiness of our deployed forces were becoming common.

So the dilemma is we have too little equipment; we clearly have to increase the defense budget to get more, yet the cost of the equipment is rising so fast that we are still likely not to get the increased quantities that are required unless we can do something differently.

USE LONG-TERM DEFENSE BUDGET INCREASES

My recommendation is to use the long-term defense budget increases to simultaneously strengthen our national security posture and to achieve the necessary cultural change in the way defense business is done. Money alone will not be sufficient to achieve that.

Surprisingly, when you look at what the constraints are to a defense buildup, it is not the capacity in the shipyards or the aircraft plants that limits the achievement of efficient increases in the production of defense goods. Rather, the problems rest in areas such as instability and uncertainty in future demands for new military equipment; or, inefficient utilization of the defense plants or the labor force; or the lack of a viable, modern, competitive set of lower tier suppliers, the parts and materials level.

CORRECTIVE ACTIONS

In my prepared text, I talked about three corrective actions that I think are absolutely required: Better long-term Government fiscal planning—balancing force structure needs, and new technological opportunities with budget realism and stability; second, improved Government acquisition practices—and there, I believe the stress should be on using natural market incentives—more multiple suppliers, continuously competing to drive down equipment costs; and third, a strengthened industrial base, giving renewed meaning to the phrase, "the arsenal of democracy," which I suspect the Soviets are more worried about than at least appears right now to be necessary.

Since these three areas are strongly interrelated, simultaneous changes in all three are essential to achieve the necessary overall impact. Without such changes, we will continue to feed the inflationary spiral and obtain the same results as in the past: rising costs, reduced quantities, stretch-outs, and so forth. While the choice is obvious, the implementation will be extremely difficult.

REDUCE LONG-TERM INSTABILITY AND UNCERTAINTY

Let me point out a few of the causes of some of these problems, and they are amplified more in my prepared remarks.

The United States is one of the few, if not the only Nation in the world, free or communist, that has a 1-year defense budget. To me, that is one of the driving problems. It is not the way the commercial world works. You get multiyear commitments there for purchases. That is the common practice. Nor is it the way the U.S. Government should operate, in my opinion, if it is at all interested

in achieving economic efficiency. No firm is going to make a long-term capital investment for productivity gains if they only have 1 year's guaranteed business.

Similarly, when the budget is submitted, Congress—and especially your staffs—go through every single defense item, each and every one, making large changes—small adjustments, they call them—stretchouts, management directives on how to run the programs, add-ons, and so forth. This year, interestingly, Congress even attacked the services' manufacturing technology programs—the one area specifically devoted to cost reduction and strengthening the industrial base.

Thus, reducing the long-term instability and uncertainty must begin with the Congress. Prospects for a change in this direction, I am afraid in the near term are not very promising. So therefore, I think there are things that can be done within a more achievable sphere, and a starting point would be the Defense Department's own planning and budgeting system.

The tradition, due partly to the congressional emphasis on the 1-year budget, has been for the DOD to similarly focus almost all of its attention on next year's budget. This encourages the services to try to figure out ways to squeeze down and then stretch out each and all of their programs, to make them fit within the allotted dollars for next year, hoping that more dollars will be available in the future years.

Naturally, when the future years' budgets are not actually authorized at the so-called anticipated or hoped-for levels, then some difficult decisions have to be made relative to cancelling or stretching them out and the traditional approach, as you know, is stretching them out. It results in far greater inefficiencies, leading to further cost increases, thus further stretchouts, and so forth.

MAJOR CAUSES OF COST GROWTH

Now, greatly complicating this problem of the inefficient and unstable budgeting and planning process is the fact that there are two major causes of cost growth taking place simultaneously. One is the constant drive for improved performance, which annually drives up the cost and which is due to the fact that we use technology in the defense area to drive up the performance exclusively, where in the commercial world, they use the technolugy to drive up performance while they simultaneously used it to lower the cost and improve the reliability.

The second major cause of cost growth that takes place in weapons systems is so-called cost overruns on each and every program. A typical program growth is a doubling of a program's cost during its acquisition cycle. Now, the most obvious explanation of this is the dramatic optimism that takes place when a program is first planned, the so-called buy-in. Besides, the lower cost estimates make it more attractive, and Congress encourages this by demanding and then permitting unrealistic estimates at the time of program justification.

Given this process, it is obvious why program costs grow, but it is not obvious why the Government does not expect them to grow, given that the Government has created an environment in which

there is a huge incentive to come in low initially, and yet almost no incentive to drive costs down once a contractor becomes the sole producer. Again, this contrasts with the commercial world, where there is continuous competition for an annual share, and the prices are continuously driven down.

DEFENSE INDUSTRIAL BASE UNREADY FOR CRISIS

The last area we might point out is the industrial base. Here, as you know, the House Armed Services Committee stated that "The general condition of the defense industrial base has deteriorated and is in danger of further deterioration." The committee went on to state that "The ailing defense industrial base is unready for crisis."

Even today, with the unemployment and the empty plants, from a current aircraft plant, it would take about 3 years to significantly increase the output of those plants.

I think that the increased defense dollars could be used to do something about that—for example, increasing the number of parts suppliers.

However, given this extremely bleak picture of the trends and problems, it is clear that there is a need for a change. In my paper, I point out the three areas that I think should be attacked: Defense planning, acquisition practices, and the industrial base.

DEFENSE PLANNING

I would like to just highlight the planning one for this committee, because I think it is the one the committee can most directly address. It is long term, stable fiscal planning that is required, but it needs the discipline on the part of the Defense Department and the Congress. World events do not change dramatically, but the DOD budget changes almost monthly.

Each and every program changes not only with the DOD review, but the annual congressional reviews, and as a result, there is continuous turmoil and continuous instability on each and every program.

Naturally, if you are going to do proper planning, it has to be done to realistic, outyear budgets, and most likely, program costs. If you were going to do that, it would have far fewer programs getting started, and in fact, in the current budget, far fewer programs that are in there. That selection means you have to take some out or delay some. It is a very difficult choice, and the alternative, to date, has been largely to stretch out the programs, increase the costs further, and stretch them out further, getting fewer and fewer systems.

In conclusion, my remarks have addressed themselves almost exclusively to the economic and management issues of how we spend the defense dollars. But there is the equally important military issue of what we spend these dollars on; how to balance force readiness, force structure, and modernization, and what specific equipment we should be buying.

Here, too, I believe significant new approaches are required if the United States is to strengthen its national security posture within the increased budget dollars.

Thus, the defense budget dilemma is the following: We badly need the increased defense dollars—in my opinion, to reverse this trend would be catastrophic—yet, if we are to get a corresponding increase in the defense posture, we must simultaneously make dramatic changes in both our management and military approaches—and neither of these will be easy.

The administration seems to recognize the need for change and some Members of the Congress seem to recognize it. Thus, I think the recognition of the need is the first step toward implementation. The increased defense dollars can be used as the key to solve this dilemma, to provide efficiently the national resources that are required, both in economic and military terms. America needs these changes, and the taxpayers deserve them.

Thank you.

Chairman DOMENICI. Thank you very much.

THE DEFENSE BUDGET DILEMMA

by Jacques S. Gansler*

Across the political spectrum there is general agreement on the need to strengthen America's national security posture; and the required, short-term solution has been a dramatic increase in defense procurement dollars -- to buy more planes, ships, tanks, bullets, etc. The critical question is, "Will it work?" Will the increased defense budget result in a greatly strengthened American military posture, or will we continue to see primarily a rising cost of military equipment? Unfortunately, the answer is not self-evident.

In the post-Vietnam era, the United States allowed its national security posture to deteriorate dramatically -- while the Soviet Union was continuing to build up its forces. From 1969 to 1976, defense procurement budgets dropped from $44 billion to $17 billion (in constant dollars) -- the lowest level since right after World War II.

Eventually, the effects of this "unilateral disarmament" became recognized. In response, the U.S. has been increasing its defense procurement since the mid-1970s. However, the cost of military equipment has risen even faster -- for reasons ranging from "cost overruns," through increased demands for higher and higher performance systems, to the ravaging effects of double-digit inflation in defense goods

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*Dr. Gansler is Vice President of The Analytic Sciences Corporation (TASC), a former Deputy Assistant Secretary of Defense (Material Acquisition) and author of The Defense Industry (MIT Press).

(far higher than comparable, non-defense items). Thus, in the second half of the 1970s, even with increased procurement budgets, the U.S. continued to obtain fewer and fewer weapon systems (planes, ships, and tanks). Additionally, by the end of the decade, there was a growing recognition of the deteriorating status of the U.S. defense industrial base (in terms of both efficiency and responsiveness). And, finally, reports about the low state of "readiness" of our deployed forces were becoming common.

As part of an effort to reverse these undesirable trends, President Reagan has now launched a long-term defense build-up. But money alone will not solve the problems. Rather, to get our money's worth for these increased defense budgets, it will be necessary to "change the way defense business is done."

Surprisingly, when analyzing the constraints to a defense build-up, one finds that it is not capacity in the shipyards, or the aircraft plants, that limits the achievement of efficient increases in the production of defense goods. Instead, the problems rest in areas such as: instability and uncertainties in future demands for new military equipment; inefficient utilization of the large defense firms and their labor force; and the lack of a viable, modern, competitive set of parts and material suppliers -- the "lower tiers."

To address these broad issues, a three-pronged approach is required: 1) better long-term, government fiscal planning (balancing force structure needs and new technological opportunities with budget realism and stability); 2) improved government acquisition practices (with a stress on using natural market incentives, such as more competition, to drive down equipment costs); and 3) a strengthened industrial

base (giving renewed meaning to the phrase "arsenal of democracy"). Since these three areas are strongly interrelated, simultaneous changes in all three are essential to achieve the necessary overall impact. Without such changes, we will continue to feed the inflationary spiral and obtain the same results as in the past: rising costs, reduced quantities, stretch outs, etc. The choice is obvious, but the implementation will be difficult.

Before further investigating these solutions, it is desirable to look at the historical trends in more depth and to better understand the underlying causes of the current problems.

The United States is one of the few -- if not the only -- nation in the world (free or communist) that has a one-year defense budget. This, of course, is not the way the commercial world works (with multi-year commitments for purchases being the common practice), nor is it the way the U.S. government should operate, if it is at all interested in achieving economic efficiency. (What firm would make a long-term capital investment, for productivity gains, if the only guaranteed business is for one year?) Similarly, when the budget is submitted, Congress (and especially their staffs) go through each and every defense program, making large numbers of annual "small adjustments," stretchouts, management directives, add-ons, etc. (and this year even attacked the services' manufacturing technology programs -- the one area specifically devoted to cost reduction and strengthening the industrial base).

Thus, reducing the long-term instability and uncertainty should begin with the Congress. Prospects for a change in this direction, in the near-term, are not very promising; however, there are many things that can be done within a more

achievable sphere. A starting point would be the Defense Department's own planning and budgeting system. The tradition, due partly to the Congressional emphasis on the one-year budget, has been for the DoD to similarly focus almost all of its attention on "next year's budget." This encourages the services to try to figure out ways to squeeze down (and stretch out) each and all of their programs -- to make them fit within the allotted dollars for next year -- hoping that more dollars will be available in future years. This results in such incredible phenomena as having an aircraft production rate of one every two months (it's almost impossible to build systems that slowly) or stretching out the development of a new weapon system for 15 years (making the sytem obsolete by the time it is ready to be deployed). Naturally, when future year budgets are not actually authorized at the "anticipated" or "hoped for" levels, then some difficult decisions have o be made (between cancelling some programs, or stretching them all out). The traditional approach -- of stretching out programs -- results in still greater inefficiencies, leading to further cost increases, which cause further stretch outs; and so on.

Greatly complicating the problem of inefficient and unstable budgeting and planning is the fact that two distinct phenomena are causing the individual weapon system's costs to rise. The first of these is the cost of constantly trying to get maximum performance, in order to keep up with our potential adversary's improved performance. Historically, this performance has been attained by a dramatic increase in the price-per-unit paid by the government for each new weapon system. Advanced technology is being used primarily to achieve increased performance on defense systems -- from one generation system to the next. By contrast, in commercial systems, advanced technology is used not only to improve performance, but also

to reduce unit costs and improve reliability. For example, while performance of commercial color television sets, hand calculators, computers, etc., has been significantly increasing over the last 20 years, their costs -- in constant dollars -- have been going down dramatically as well, not the cost trends for defense electronics systems!

The second major cause of cost growth that takes place in weapon systems is "cost overruns" on each individual program. A doubling of a program's cost during its acquisition cycle has been the "average" program cost growth. The most obvious explanation for this dramatic cost growth is the initial "optimism" that takes place when a program is first planned. It is assumed that "this program will be different -- it will not grow as other programs have." Besides, the lower the initial cost estimates, the more attractive the program appears; and Congress makes this problem worse by demanding, and permitting, unrealistic estimates in program justifications.

To make things worse, when the government goes out to industry for bids to develop and produce a new item, industry is put in the awkward position of "you bet your company." Only the low bidder will win the contract, and from that point on he becomes the sole developer and producer of his new item (over the next 20 years); while the losers are effectively out of that business for a considerable number of years. Thus, there is an incredible incentive to "buy-in," to bid low (or "optimistically"), and then hope for later "changes." (History shows that these changes will almost always occur, thus voiding the original contract, and allowing renegotiation in a sole-source environment.) Given this process, it is obvious why program costs grow. But it is not obvious why the government doesn't expect them to grow -- given that the

government has created an environment in which there is a huge incentive to come in low initially, and yet almost no incentive to drive costs down once a contractor becomes the sole producer. Again, this contrasts with the commercial world in which there is continuous competition for an annual share of the business, and the lower the price, the larger the share awarded to the efficient firm. In defense business, if the price goes up, the remainder of the quantities will simply be purchased in subsequent years from the same producer. (And the profit in the subsequent years' purchases will be based on a percentage of the higher cost.)

Given these large and continuous unit cost increases -- for improved performance and internal program cost growth -- significant increases in defense procurement budgets are annually required simply to stay even! Naturally, the dramatic reduction in defense procurement dollars in the post-Vietnam period caused a large reduction in the quantities of systems being procured -- thus compounding the problem; since, as any military man will agree, numbers do matter. You can't have only a few -- even very good systems -- and expect to win a war. Yet, even in the 1980s, when defense procurement budgets are projected to go up significantly, the U.S. will still be faced with the reality of buying less and less equipment each year, unless the budgets go up even more rapidly than the cost growths on individual systems. Additionally, if the very high out-year defense projections of the Reagan administration are not realized, we will be faced with the extremely difficult choice of cancelling many of the programs and/or stretching them all out again. Needless to say -- besides reducing the quantities and raising the costs still further -- such continous program stretchouts also have the very distinct advantage of delaying the introduction of needed military systems into the field.

Finally, an additional problem must be highlighted -- namely, the statement made at the end of 1980 by the House Armed Services Committee --that "the general condition of the defense industrial base has deteriorated and is in danger of further deterioration." The Committee went on to state that "the ailing defense industrial base is unready for crisis."

Today we hear policymakers, defense industry managers, and macroeconomic analysts (including those in the administration) saying that with the existing excess production capacity, the high level of unemployment, and "assuming no bottlenecks and a tax stimulation of investment," as the defense budget is increased, the United States will get the needed military goods in a cost-effective, non-inflationary manner. In fact, contrary to these assumptions, the data clearly indicate the presence of bottlenecks in the defense industrial base. These existing bottlenecks -- in critical parts, skilled labor, modern production equipment, and imported parts and raw materials -- explain why today it would take <u>over three years</u> to increase production significantly from <u>current</u> aircraft production lines even with unconstrained budgets. Additionally, the unique way in which the DoD does its business makes the early removal of these bottlenecks highly unlikely.* Only with a coordinated, direct attack on the bottlenecks -- for example, using the increased defense dollars to introduce new parts suppliers or to improve manufacturing technologies -- is it likely that the proposed rapid buildup in defense procurement can be achieved in a non-inflationary manner.

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*For more details on these bottlenecks, refer to my paper in the Spring 1982 issue of <u>International Security</u> entitled "Can the Defense Industry Respond to the Reagan Initiatives?"

Given this extremely bleak picture of the trends and problems, it is clear that there is a need for change; yet it is equally clear that implementing such change will be extremely difficult. However, the current administration highlighted these problems shortly after the election and is attempting to initiate action to reverse the trends. Additionally, there are some successful "example cases" that prove it can be done. So it is with some optimism that I suggest the three-pronged approach to addressing the above-noted problems -- namely, improvements in: defense planning, acquisition practices, and the industrial base.

Achievement of the first of the three broad initiatives -- stable, long-term fiscal plans -- primarily requires discipline on the part of both the Defense Department and the Congress. World events can have a dramatic impact on military planning, but in general, this has not been the principal cause of the almost monthly (and certainly annual) major shifts in defense budgets and program plans. Such instability makes management of individual programs totally inefficient, weakens our military posture, and even has long-term implications to our alliances. Thus, the DoD and the Congress (and, especially, the Congressional staffs) must agree on a long-term investment plan (with Congress still having an annual review), and with the understanding that only major world events would cause significant changes in the plan. If subsequently there was a major increase (or reduction) in the total dollars available -- for example, as a result of an administration change -- the master plan could be adjusted to increase the quantities of selected systems, or to start a few new programs. But there would not be the current, dramatic changes in every individualprogram from year to year.

Naturally, such planning -- done to realistic out-year budgets and "most likely" program costs -- means that there will be fewer programs started, and that the choices will therefore be much more difficult. Nonetheless, such selection is absolutely essential, and the only alternative to the continuous stretchouts of each and every program, and the associated inefficient use of the total procurement dollars.

Improved acquisition practices is the second of the major initiatives. Here, to achieve the necessary "cultural change," the first important step is the establishment -- prior to the initiation of the development and production of each new weapon system -- of a detailed, long-term acquisition plan -- then stick to the plan. This weapon acquisition plan will be the basis for the overall DoD long-term planning discussed in Action #1, and should therefore be based upon conservative ("most likely") fiscal planning and include such considerations as: the achievement of economically efficient production rates, any necessary investment in production automation, and the use of multi-year contracts (for increased stability).

The second major change required in defense acquisition practices is the introduction of "natural market incentives" to lower prices -- as contrasted to "regulation" for this same objective. This can be done through the use of more real competition. It does not mean more of the sort of "one time" competition presently used -- the fierce rivalry for the initial R&D contract. Rather, it means "dual-sourcing" throughout the program; wherein, two or more producers are continuously competing for an annual share of the total production, with the percentage awards based upon the prices bid and the prior year's performances. This area (competition) is perhaps the single item which most distinguishes defense practices

from civilian procurements. In the latter, the buyer has alternatives if he is not satisfied with either the performance or cost of an item; however, in defense, the government must simply pay increased prices, since there is no one else producing the item. When such dual-sourcing has been tried in defense procurements in the past, the average net cost savings to the program has been on the order of 30 percent! Such a dramatic cost reduction clearly warrants wider application of the concept.

The use of "design-to-cost" techniques in the R&D of defense weapon systems is the third of the required important acquisition changes. Again, this is a common commercial practice. It involves using advanced technology to lower the cost and improve the reliability of weapon systems, as well as improve their military performance. The historical DoD approach has been to design for maximum performance and then obtain industry bids -- with the lowest bidder building an expensive design. The preferable alternative is to incorporate cost as one of the initial design criteria. To draw a comparison to the commercial world, one tries to design a $100 hand calculator and to get the best performance out of it; rather than trying to design the best possible hand calculator, and then see who would bid to build it most inexpensively. The latter -- the defense approach -- would likely end up with a hand calculator costing thousands of dollars, with only a slight increase in performance (and far fewer could be, or would be, purchased).

The revitalizing of our defense industrial base is the last of the broad, three-pronged approach needed to strengthen America's defense posture. Unfortunately, America is the only nation in the world that does not treat its defense industry as a vital national resource. It has been assumed that "the

market" will achieve the desired characteristics for the defense industry -- in terms of both economic efficiency and strategy responsiveness. However, this does not happen because of the unique characteristics of this market -- one buyer, the government, and usually one, or very few, suppliers for any given product. Under such conditions, the government should determine the influence of its actions on the structure, conduct, and performance of the industry. This "supply side" perspective is missing from the way DoD does its business. To eliminate the bottlenecks in the defense industry, industry must see a long-term perspective to the business (in terms of profit, as well as stability). The other two proposed initiatives will help significantly -- a stable, long-term government plan, and changes to the acquisition process such as dual-sourcing (which will shift the business from its current "one winner" -- all-or-nothing -- basis) -- but it is also necessary to institutionalize an approach to explicitly introducing industrial base considerations into the DoD's long-term acquisition planning, and into the specific program decisions. This action would significantly enhance the role of the free enterprise system, through creating conditions that take advantage of natural market forces and allow the industrial bottlenecks to be addressed explicitly; thus, revitalizing and restructuring the defense industry to create a more competitive and more responsive national resource.

In conclusion, my discussion has limited itself only to the economic and management issue of "how we spend the defense dollars;" there is also the equally important military issue of "what we spend the dollars on" -- how to balance readiness, force structure and modernization; and which specific equipment should we buy? Here too, significant new approaches are required if the U.S. is to strengthen its national security posture with the increased budget dollars.

Thus, the defense budget dilemma is the following: we badly need the increased defense dollars -- to reverse this trend would be catastrophic -- yet if we are to get a corresponding increase in our defense posture we must simultaneously make dramatic changes in both our management and military approaches -- and neither of these will be easy.

Yet there is reason for hope. The administration, the Congress, the leaders of the defense industry and the general public have begun to recognize the need for such changes -- so now is the time for implementation! The increased defense dollars can be used as the key to solve the dilemma -- to provide efficient use of our defense resources, both in economic and military terms. America needs these changes, and the taxpayers deserve them.

Thank You

Chairman DOMENICI. I regret that we do not have more Senators here, but I do not think that should be assumed by the witnesses to be a lack of interest. They spent all morning here and all day yesterday, and there were 14 yesterday afternoon for the whole afternoon. So, we are going to proceed.

General Jones, when you were Chairman of the Joint Chiefs and you would come up here with the Secretary, you had a much bigger audience. We apologize for that, but nonetheless, we are very interested in what you have to tell us.

Would you now proceed?

General JONES. Yes.

STATEMENT OF GEN. DAVID C. JONES, U.S. AIR FORCE RETIRED, FORMER CHAIRMAN, JOINT CHIEFS OF STAFF

Mr. Chairman and members of the committee, it is good to be back with you I have found that there is a rewarding and challeging life after Government. But the most striking remembrance and reflection is how little time people in senior positions in Government have or take to step back and look at the big issues, to do some long-term planning, to try to address the causes rather than just the symptoms. This problem is not only in the executive branch, but I have found it here on the Hill.

It is particularly important that we now take a long-term view. We have a convergence of problems: Economic, political, social, military, around the world.

As the defense consensus was building a few years ago, a number of us cautioned that what we needed was steady growth, that the worst thing would be to have a rapid increase in the defense budget, an erosion of support, and then a cutback, and end up starting a lot of things that we cannot finish. We would be worse off than if we would have had steady growth. I am afraid we are approaching that point.

It is possible to spend more money on defense and get less capability, and if we are not careful, we will head down that road. We are critically dependent on our allies, but in the last couple of years, we let what have been called "one hundred exotic nuclear flowers" bloom, talking about winning nuclear wars, and shots over the bow, and fighting limited nuclear wars in Europe, and carrying shovels for civil defense. This has caused great problems with our allies and has weakened the alliance and put us at a low point, at the very time we need the greatest cohesion within the alliance.

We need to build our military strength, and we need to be strong economically.

WHAT'S WRONG WITH OUR DEFENSE ESTABLISHMENT

A year ago this month, I wrote an article on the need for reorganization within the Joint Chiefs of Staff, and I limited myself to the Joint Chiefs of Staff at that time, because as an active-duty serving officer, I thought it was appropriate to address only my area of responsibility. Last November, I broadened that and wrote an article, which you have, which is called, "What's Wrong With Our Defense Establishment." [1]

Very briefly, what I try to point out is, No. 1, our strategy is so all-encompassing that it means all things to all men, and the gap between strategy and capability today is the greatest we have had in many decades. Second, authority and responsibility are badly diffused. Those who have the greatest responsibility, the field commanders, the MacArthurs, the Eisenhowers, and the Nimitz' of the future, have the least authority, and the services, who do not have the responsibility collectively for fighting the forces have the most authority because they control money, and they control personnel.

There is not a good system within defense for a rigorous examination of alternatives, particularly when they are across service, or they have roles and missions implications.

Tough decisions are avoided—and this is true both in the Congress and within the Defense Department. The 5-year defense program is badly underpriced, and I think there is great substantiation for that.

Norm Augustine, the Chairman of the Defense Science Board, wrote a great book called, "Augustine's Laws," and through detailed study, he has shown that over 30 years, programs have cost 50 percent more than the original estimates. We still have that problem in the defense budget. The Heritage Foundation came out recently with a report, talking about the underpricing.

Some actions have been taken, and some have been helpful. For example, the 32 Carlucci initiatives were particularly helpful on the few programs that have multiyear funding, but the implementing document, 5000.2, has not even been published in the 2 years since those initiatives were first announced.

Accountability is woefully inadequate. The rewards within the system go to those who fight best to get money, not to those who do the best in spending that money most efficiently. And laws, poli-

[1] See p. 250.

cies, and actions promote instability in programs and in personnel policies and accountability escapes.

Next, leadership, often inexperienced, is forced to spend too much time referring an intramural scramble for resources. Mr. Gansler stated that we are the only Nation in the world that has a single-year program. The great instability and the tremendous time that is taken up in this complete chaos of changing budgets from one day to another, whether it is in the Defense Department or over here in Congress.

Next, a serious conflict of interest faces our service chiefs. They are expected to be the principal spokesmen for their service. They come over here, and they testify to you on their budget, and they advocate their service positions. But they are also supposed to step out of that role and sit in judgment on their service as to the priorities of that service versus other services.

Finally, the result is that the combat effectiveness of the fighting force, the end product, does not receive enough attention.

MAJOR DOD REFORMS

What needs to be done? First, we need to reorganize the Joint Chiefs of Staff so the conflict of interest is eliminated and so that we provide better advice on alternatives to the Secretary of Defense—not by forming a general staff or by appointing a single Chief of Staff, but by having a truly joint system. And do not expect the corporate body of the Joint Chiefs of Staff to initiate such a change. Adm. Alfred Mahan once wrote that no military can reorganize itself; the pressure must come from the outside. This has been proven to be true for many years and is particularly true when four services are involved, and you have roles and missions implications.

Second, we ought to reform the civilian side of the Department of Defense. My friend to the left, Mr. Gansler, outlined this very well. The whole issue of strategy, and bringing some realistic strategy must be addressed. Many of the policies and programs and budget actions must be revised, and frankly, I think a better job could be done with far fewer people in the overhead, in the Pentagon.

Third, we ought to change the way Congress handles defense matters. The Congress must share a major responsibility for most of the deficiences in the Department of Defense. I believe that many Members of Congress are irresponsible when they criticize the Defense Department, without recognizing that much of the responsibility for the problems we have today rests with this body, as well as with the executive branch.

As Norm Augustine pointed out in his book, from the latest figures we have, in 1981, Congress changed 63 percent of the major programs in the budgeting. In most cases, by reducing here or there, nibbling, as was indicated earlier. There were not tough decisions made to cancel; Congress was just to contribute in many cases to underfunding programs. Such changes create the instability and allow people to escape from accountability. We should demand good costing and be careful of taking the easy way out by cutting readiness.

The 1983 budget was the worst example. From the time the budget was submitted in February until the end of the fiscal year in September, there were 407 congressional hearings on the defense budget, and we do not have a budget yet. We have a patchwork continuing resolution that is going to operate for the entire year.

So I am saying if Congress does not get its act together, the reforms in the Pentagon will have marginal results.

WRONG AREAS HIT BY $8 BILLION CUT

More specifically, on the budget facing you today, it contains the ills of the past. Two years ago, I said only half in jest, that we needed the Reagan budget to fund the Carter program, because that program was underfunded just as the current one is. Well, somebody must have misunderstood me, because I think what we are going to end up with is the Carter budget to fund the Reagan program. And there is no way to do this. There is no way to fund the program on the books even if we got all the money that is in the budget now.

The key question is whether we are going to face up to that problem today, or kick the can down the street. If we do as we have done before, and not face up to the problems, the result will have a greater impact on national security and on the pocketbook of our taxpayers.

It is my judgment that the $8 billion cut hit the wrong areas. It was a near-term political problem which was addressed somewhat cosmetically at the expense of long term. The inflation and fuel cost reductions mean the Department of Defense believes, Things are going to cost less in the future than we expected. Maybe with the reduction in fuel and the reduction in inflation, maybe things will only cost 30 or 40 percent more than we have estimated, rather than 50 percent.

Military pay freezes are also shortsighted. In 1983, there was a cap of 4 percent versus the 8 percent that was recommended, and now we are faced with zero; again, a near-term reaction which compounds long-term problems. The same can be said for cutting in training and exercise. This is easy to do because this is an intangible. You really cannot show the impact of not doing training and exercises, but I can assure you the impact downstream is likely to be substantial.

WHAT BUDGET COMMITTEE SHOULD DO ABOUT 1984 BUDGET

What should the Budget Committee do about the 1984 budget? First, I strongly recommend you do not try to be an Armed Services Committee and get into a debate on individual weapons systems. Insist that the bigger issues are addressed.

Second, insist that the Department of Defense give you some out-year numbers—1985, 1986, 1987 and 1988. The only data on 1988 is a total number of $440 billion of obligation authority and a shipbuilding program. There is a little information on 1985, but the only visibility you truly get is in 1984. You do not know what you are buying when you start many of these programs or continue with many of these programs. Do not expect a lot of quality in those out-year budget figures when you get them, because the De-

fense Department does not do a very good job on future budgets. But at least you can start the process of getting some discipline within the system.

To understand the long-term problem, we must understand where we are going.

Third and very importantly, recognize there are built-in, major cuts in the defense programs within this budget. What I mean by that is that being underpriced, we will not be able to deliver what is planned, and therefore, as in the past, marginal things will be canceled, programs will be cut back, readiness will be cut back, and that will happen even if you appropriate every dollar that is in the projected defense budget.

Next, recognize you cannot make substantial cuts without impacting on capability. In the past, cuts were made with the impression that nothing really hurt, and what we did was hurt readiness. We cut back on training, we cut back on other aspects of readiness that were not so tangible in the public eye as cutting back on weapons systems.

If cuts are to be made—and I am not advocating cuts because of this problem I mentioned with the budget already being underfunded—but if cuts are to be made, I would insist on looking at the long term. And one suggestion to consider is to insist that there be $3 of authorization cuts for every dollar of outlay for the initial year. That will then force the emphasis toward programs and away from the shortsighted issues of cutting back on training or personnel or something that immediately spins out. About a 3 to 1 would be my recommendation.

And finally, the fact that you cannot make big cuts right now without impacting on capability does not mean there are not great inefficiencies within the Defense Department. There are, and some of them are caused by the Defense Department and some caused by the Congress, as I mentioned before. General Shy Meyer, current Chief of Staff of the Army, said in his testimony last year that he thought that with some reforms that a 15-percent improvement in efficiency could be achieved. I think he has underestimated it.

If the Congress joins in on these reforms, I think we have got a possibility of at least 25 percent. I do not mean by that you can cut the defense budget by 25 percent because we are underpriced already, but there are major efficiencies that can be achieved in the long term, but only if the Congress and the Defense Department both address the long-term issues, rather than just fiddle around with the 1984 budget and do as we have in the past and create problems in 1985, 1986, 1987, 1988. Major structural changes must be made, or we will continue to flounder, and the defense consensus will sharply erode.

Thank you, Mr. Chairman.

Chairman DOMENICI. Thank you, General Jones.

Dr. Pranger?

STATEMENT OF ROBERT J. PRANGER, DIRECTOR, INTERNATIONAL PROGRAMS, AMERICAN ENTERPRISE INSTITUTE

Dr. PRANGER. Thank you, Mr. Chairman, and members of the Senate Budget Committee. Having been invited just very recently

to attend this session, I think some of my comments on the fiscal year 1984 defense budget will be sketchy, but I would like to address for a moment what I think is a weakness in the 1984 Defense Department report to Congress, as well as in the 1984 posture statement by the Chairman of the Joint Chiefs, and this is related to the subject of allied capabilities.

ALLIED CAPABILITIES

It is admitted in General Vessey's posture statement for 1984 that U.S. defense is increasingly related to an interdependent world, and obviously, under those circumstances, power projection, which is the central feature of American defense policy since World War II must rely on allied capabilities.

Yet, in reading over the posture statement as well as the 1984 defense budget report, it is quite difficult to determine to what extent allied capabilities are, first of all, linked to the preparations of the U.S. forces themselves, except in the NATO case, and second, to get a very clear inventory of what those allied capabilities are, to say nothing of their expansion.

It is on this subject that I wish to dwell for a moment. Again, the budget report has only been out a few days, so my impressions are somewhat sketchy, but in looking over the budget report, I am about to make these comments.

THREAT ASSESSMENTS

From the standpoint of the grand strategy of this budget, there is a very ambitious power projection capability. Obviously, one question raised is to what extent the threat assessments in this budget are accurate and make good sense; and the second question is whether the proposals made for countering the threat are themselves good sense, and to what extent are they actually accounted for in this budget report.

Of course, Secretary Weinberger's assessment of the Soviet threat is exceedingly grim, and for the sake of argument, taking this threat assessment as the basis for our beginning, the question remains, are the countermeasures adequate?

FOCUS OF SOVIET POWER

Now, in looking at the adequacy of the countermeasures, one sees, I think, three aspects of the countermeasures. One is the focus of Soviet power; second, the countermeasures themselves which the United States and its allies will take; and third, is there room for improvement or expansion, not of American defense capabilities only, which is really what this budget report addresses, but allied capabilities.

Now, from the standpoint of the focus of Soviet power, this budget, like all previous Department of Defense budgets, tends to divide the world up into theaters of U.S. military organization which may or may not correspond to very specific areas of Soviet military power projection.

COUNTERMEASURES BY THE UNITED STATES AND ITS ALLIES

For example, the Western Hemisphere, I think, can be more carefully defined in terms of where the major threat from Soviet power is. But leaving aside this first question of the focus of power, the second question relating to the various countermoves which the United States and its allies can make vis-a-vis the Soviet Union is an area where I think there should be some improvement in the presentation of this budget.

On the NATO side, of course, there is a fairly elaborate discussion in this budget, maybe not all of it as informative as it might be, because it dwells with very specific programs, but when we get outside the European or NATO area, the question of allied capabilities begins to fade away, and the discussion focuses mainly on American power projection. This is most striking in the discussion of the Rapid Deployment Joint Task Force, on pages 191 to 206 of the 1984 budget report. There is a fairly lengthy discussion of this, including the establishment of the new Central Command, CINCCENT, as it is called, which includes not only Southwest Asia now, but specifically mentioned are also Africa, Central America, South America, and the Caribbean, as possible areas for Rapid Deployment Force operations.

In the whole course of this discussion, there is no mention, for example, of the Gulf Coordination Council in the Gulf, which is the coordination council for the six Arab Nations led by Saudi Arabia, in which we are involved in various ways, particularly with the Saudis and others bilaterally, in programs to build its air defense and the like.

Similarly, when we get to the questions of Central America, Africa, and the Caribbean, there is no clear idea of what allied force is being built in those areas, what is the inventory of that force, or for that matter, plans for the further expansion of that force, and of course, to what extent this force dovetails or is to be coordinated with the Rapid Deployment Force.

I must say, in the chairman's posture statement for 1984, there is a slight improvement in the sense that there is a map which can be folded out, in which one can look with blue and red marks at where the various American and Soviet pinpoints of power are located.

DEFENSE EXPANSION OUTSIDE THE UNITED STATES

Beyond the question of current defense planning and coordination with allied forces outside NATO—and I include here Japan and the People's Republic of China—there is the question of where defense can be expanded outside of U.S. defense, but within the sphere of our allies; this is not addressed at all. For example, are there certain countries allied with the United States which offer us avenues for power projection which they undertake to perform, as opposed to the United States itself? I have a list here of candidate countries, none of them similar exactly, but nonetheless important: Canada, Mexico, Venezuela, France, Italy, Israel, Egypt, Morocco, Saudi Arabia, Pakistan, Japan, South Korea, China, and Taiwan. What is important to note in these countries is that in some respect, each has ambitions beyond their current status; each has

demonstrated some good will toward the United States in political/military affairs; and each has given evidence that it favors an expansion, not contraction, of bilateral military relations with the United States.

I believe, therefore, that the 1984 defense budget report badly needs a detailed, complete inventory of all defense capabilities available to the United States and its allies, so that one may get a better picture of what total force—as Melvin R. Laird used to call it in his strategy of realistic deterrence—exists worldwide to defend American interests and provide for our power projection.

Thank you.

Chairman DOMENICI. Thank you, Dr. Pranger.

PREPARED STATEMENT OF ROBERT J. PRANGER
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before the
Committee on the Budget
U.S. Senate
Washington, D.C.

February 3, 1983

It is unlikely that Congress will redesign the FY 1984 Defense budget in any fundamental sense. To undertake such a task would require starting at the beginning, in the realm of net threat assessment within the context of an on-going budget planning process. No agency outside the Department of Defense has such assessment and planning capabilities, and no other agency has legal responsibilities such as this.

What those involved with the oversight of the national budget can do in a fundamental way with any defense plan, however, is examine its threat assumptions for their good sense and then question the utility of solutions proposed. I wish to deal with the second fundamental area, that of proposed solutions. Having been invited to this panel only one day before its meeting, I must admit that my analysis of solutions will be quite sketchy. Of special interest to me are the political-military or "grand strategy" underpinnings of the FY 1984 Defense budget.

The assessment of Soviet threat in the Weinberger defense formulations for FY 1983 and FY 1984 is of the grimmest sort. Seeing the Soviet Union as highly aggressive and expansionist, this assessment finds danger from the Kremlin on a worldwide scale, with the main thrusts in Europe, Southwest Asia, the Far East, and Western Hemisphere. Of course, this Soviet power runs the full gamut from strategic nuclear weapons to surrogates such as Cuba. The American

response will be both military and nonmilitary, direct and through allied capabilities. In my analysis of proposed solutions for the Soviet threat I will, for the sake of argment, accept the dire assessments in the FY 1983 and 1984 Defense budgets, but question the proposed solutions because they do not concentrate enough attention on the expansive potential of present allies or the possible addition of new allies.

I think it is time to raise to the first level of consciousness during the 1983 debate on defense the question of allied capabilities, but to do so in very specific terms. Here it is important to hark back to the "strategy of realistic deterrence" and "total force" in the FY 1972 and 1973 Defense budgets of Melvin R. Laird, but with obviously updated considerations.

First, we should be more definite about the regional foci of Soviet power, and not simply be content with the usual "theater" approach found in U.S. defense budgets divided by U.S. military commands overseas--now including a Central Command for the rapid deployment force. American defense strategy since the end of World War II has been that of power projection. However, this projected might should be toward some specific threat and not simply because we have the world divided in two or more parts in our defense organization.

Second, the various countermoves or counterstrategies--by the United States and its allies--should be examined as complementary, relatively flexible gambits where we might wish to de-emphasize one kind of move, such as direct U.S. involvement, and strengthen another, such as indigenous capability.

Third and finally, we should inventory a special category of country, that with expansive strategy and capability which is either allied to the

United States or potentially so, because it is my guess that any important addition to the power projection capabilities of the United States to the end of this century will come from others and not from ourselves. This last assumption is based on my hypothesis that the United States has about reached the limit of its own defense capabilities in the realm of power projection, whatever the rosy forecasts of some about "buying" more conventional power in Europe and so on. The limits to the expansion of U.S. military power--even at the height of the Cold War--have historically been domestic ones in this country, determined by the two major political parties and their respective economic philosophies. In his 1982 book, Strategies of Containment, John Lewis Gaddis has demonstrated this rather well. *

On the question of primary areas of focus for Soviet military power one may begin with the historic Eurasian land mass which the U.S.S.R. dominates on one-sixth of the earth's surface and then move outward along its peripheries and beyond. There is hardly any doubt--surely Soviet commentators themselves point with pride to this accomplishment--that the Soviet Union has broken any semblance of isolation it felt the capitalist/imperialist world once imposed by diplomacy, economic discrimination and military force. From its Eurasian center the U.S.S.R. has leaped over the boundaries of containment laid so carefully by the United States and its allies in the early postwar period and now prizes its freedom of political-military action in the Mediterranean basin (including Africa on the southern rim of this basin), Southwest Asia from the Horn of Africa to the Indian Subcontinent, and the East Asia/Pacific region. In addition, the Soviets have mobilized nations and movements in the Western Hemisphere for its own interests. Of special

*The FY 1984 Defense budget report does say that "over the next five years, our forces available for rapid deployment contingency planning will grow." (p. 198) Yet a good part of this force in the Army divisions will continue to be "dual-hatted" with NATO." Southwest Asia-specific program costs, FY 1984-88, will be $ 4.376 billion, while other costs associated with rapid deployment in the same period will amount to $ 9.177 billion, for a total of $ 13.553 billion. Air force, marine and navy elements in this force will also have missions outside the force.

interest, then, for U.S. defense strategy would be the following five areas: (1) Eurasia itself, which involves the boundaries of the USSR and its allies; (2) the Mediterranean basin and its African extension: (3) Southwest Asia with special emphasis on the Gulf; (4) East Asia and the Pacific beyond the actual territorial frontiers of the U.S.S.R; and (5) the Caribbean basin. One may assume in this formulation of regions of dynamic Soviet political military activity that the levels of threat will vary in time and space in a somewhat indeterminate manner. Under these circumstances it is vitally important for American defense that the defense capabilities of nations allied with us be given at least equal weight in our military calculus as our own abilities to project power. In fact, I would argue that, under certain circumstances, we could give allied capabilities even more weight in these five regions than we give our own.

Concerning U.S. and allied countermeasures of defense against Soviet political-military moves there are obvious dimensions, all of which should be adequately accounted for in any defense plan. With the exception of NATO's defense improvements, the FY 1984 Defense budget report concentrates heavily on American as compared with Soviet capabilities, and gives inadequate descriptions of and prescriptions for allied forces outside NATO. While the emphasis on American capabilities, as measured against Soviet ones, is due in large measure to the fact that money is being requested for American forces, it is a shortcoming of the Chairman of the Joint Chiefs of Staff's annual "posture statement" as well (the map in the FY 1984 posture statement may help a little). In the lengthy FY 1984 Defense report (pp. 191-106) description of the Rapid Deployment Joint Task Force (RDJTF) under the new Central Command

(CINCCENT), for example, there is no discussion of indigenous force capabilities in the Southwest Asia region or in other parts of the world where the RDJTF might be used (Africa, Central America, South America and the Caribbean are specifically mentioned in addition to the Middle East), and there is no indication--save reference to bases and certain joint exercises--as to how these local forces might mesh with the RDJTF. The FY 1984 Defense budget report badly needs a detailed, complete inventory of all defense capabilities available to the United States and its allies, so that one may get a better picture of what total force exists, worldwide, to defend American interests.

Once specific areas of Soviet power projection have been established and with a sober appreciation that U.S. countermoves against this power may be highly dependent on allied capabilities, we can then turn to some specific countries which have expansive military potential and are current or possible allies of the United States. Ignoring for the sake of argument all the differences among them and all the political nuances which make some more or less important for American defense calculation, my list of candidate countries would include the following: Canada, Mexico, Venezuela, France, Italy, Israel, Egypt, Morocco, Saudi Arabia (and allied Gulf Coordination Council), Pakistan, Japan, Taiwan, South Korea, and China. What is important to note with these countries is that, in some respect, each has ambitions beyond their current status, each has demonstrated some goodwill toward the United States in political military affairs, and each has given evidence that it favors an expansion of bilateral military relations with the United States. Others

might be added to this list and perhaps not all on it are attractive over the longer term What we should be doing in each case, outside current bilateral and multilateral agreements, is exploring on the highest possible priority basis the ways that the expansive military potential of these countries can serve our own defense needs even if we must depend increasingly on these countries.

We may find in our search for stronger allies that our own defense requirements are modified to reflect our increasing dependency. The essence of wisdom in the Laird "strategy of realistic deterrence" was to recognize restraints on American power (self-evident during Vietnam but still relevant today) and to acknowledge the importance of creating more independent centers of military power in world affairs for the sake of vital American interests. Such realism should be reflected more specifically in the Defense budget report for FY 1984, with expanded and more precise explanations as to how allied forces--actual and potential--are integrated into U.S. defense planning and how this planning might make better use of these forces for the purpose of power projection by the United States.

[Whereupon, Senator Kasten assumed the chair.]

Senator KASTEN. Senator Chiles?

SIGNS OF A LARGE FORCE EXPANSION

Senator CHILES. Thank you.

General Jones, we have had the budget for a short time and have tried to analyze the numbers. We are now trying to look inside the numbers and see what they tell us about priorities and strategy. What I see now, it looks like to me that there are signs of a large force expansion. When Secretary Weinberger talks about modernization, I am wondering if that really means expansion. There are two problems with this. First, it may be unavoidable in the coming years, but second, expansion may be going beyond the needs of what we call a strong defensive force.

Just to cite a couple of examples, the B-1 was approved by Congress as a replacement for the B-52, but now we are seeing that the B-52's are not going to be laid aside. They are going to be keeping most of the B-52's into the late nineties, modernizing them to carry cruise missiles. The number of Navy ships is expanded 27 percent, as well as adding two carrier air wings. And the Air Force plans a major expansion from 36 to 40 wings by 1988, and then on to 44 wings.

When we look at these examples, is what started off with the term, "modernization"—and there was certainly great support for that—is that really a major expansion? And I guess that question

then relates to are we talking about—have we gone from deterrence, and that being our sort of strategy to be able to deter an aggressor or deter an attack, to where we are talking about now a strategy in which we would be determining whether we had sufficient forces to outright win?

NOT ENOUGH COHERENCE IN DEFENSE BUDGET

General JONES. Senator Chiles, I think with regard to force expansion, it is sort of mixed. It is much less than was thought of a year or two ago. You will recall that there was discussion on adding a couple of divisions to the Army and a whole bunch of expansion in other areas.

With regard to the B-1, it is thought of as a replacement for the B-52, but in the penetrating role, and the B-52 has its cruise missiles, and later on, when the B-1 has trouble penetrating, then it becomes a cruise missile carrier. So there is a little bit of force expansion, but we are only talking about 100 B-1's and some of the B-52's will phase out. So there is very little difference there in total force structure.

All along, it has been consistent on building to a 600-ship Navy. The expansion of the tactical air force has been on the books for many years; it has just been deferred in executing it. Most of that expansion came back in—I think it was about 1976, the plan to go to 26 wings.

So I would not call this budget a real force expansionist budget. Two years ago, there was a hope in the executive branch to have a great expansion of forces.

It is a little hard to go in and figure out just what is the strategy, because the strategy document that is written sort of emphasizes everything and says we will do everything, and then the services take that and are able to sort of pick and choose. So I do not think there is enough coherence in the defense budget. You can go through and pick examples out as to where things are emphasized, but as to overall coherence, I do not think it is there.

INSIST ON MORE CUTS IN AUTHORIZATION AND OUTLAY

Senator CHILES. You have mentioned two very real problems, I think. One is that if defense stayed exactly where it was in terms of dollars, we would not be able to pay for what we have on our plate now, because we have underpriced costs and undercosted systems that we currently have. Of course, the other problem is, if we do have to do something about defense, in the context of the overall numbers. As the chairman pointed out today, we have got approximately $2.4 trillion less coming in than we thought we were going to have back in 1981 for this 5-year projection. How then do we not cripple or not take funds out of the wrong place? And again, the very moves that you talked about, always seem to go toward readiness, or that always seems to be the place in which it goes: fuel maintenance, training and exercises, all of those go to readiness. And of course, that was pointed out to us over and over as one of our greatest problems, along with salaries, which we now see coming out, too.

What is your advice to us? You tell us not to be the Armed Services Committee, and I kind of agree with that, but given the fact that we recognize that we are going to have to do something with these numbers, how do we try to do something in a responsible way; how do we get the Department to help us?

General JONES. I think first, by recognizing that you are not going to have substantial cuts by going into the defense budget and trying to prove there is inefficiency here or there, and nibble, as in the past.

I had more explicit advice on what not to do than what to do—but do not nibble. You will compound the problem. Work the long-term problem. Insist that there be more cuts in authorization than outlay. Do not say where they should be, but insist in your numbers that there be a ratio, and that will prevent——

MAKE CUTS MORE LONG TERM

Senator CHILES. What you are saying is that if we make those cuts more long term and more weighted in the authorization, that forces the Department to make better decisions. If you make cuts short term, they would immediately go to readiness, go to salaries, and go to the short term, spare parts, and those kinds of things?

General JONES. Yes. In the cuts that were announced recently, there was $11.7 billion of authorization and $8 billion of cutlays, of expenditures, actually. That is about a 1.5-to-1 ratio. When you get to that ratio, then you end up with the near term, sort of hidden impact of readiness, personnel, and flying hours. If you go to a higher ratio, then you are in longer term procurement. I do not know what the exact number should be—3 to 4 to 1, but at least the 3 to 1 would have been my recommendation.

[Whereupon, Senator Domenici resumed the chair.]

DO NOT ACCEPT STRETCHOUTS

Senator CHILES. Well, let me ask you this. What I have already sort of heard mentioned is if there are cuts, we will simply stretch out some of the systems. Nobody is talking about giving up anything.

General JONES. You are right.

Senator CHILES. And hasn't experience proven that when you had to stretch out, you really paid and paid and paid?

General JONES. Really. I think every study points that out, and that is one thing you are going to have to guard against. There is an unwillingness to make some tough decisions. For example, in the years past, the Congress had been very insistent on adding back in some weapons systems, but never added the money, and therefore, they added the systems and cut it out of readiness, and this had a great impact on readiness.

So I would insist that some very tough decisions should be made and it not be stretched out——

Senator CHILES. Well, as the Budget Committee, we cannot make those decisions.

General JONES. No, and I would not recommend that you sit here and try to say it ought to be certain weapons systems——

Senator CHILES. You are saying that the appropriate committees in Congress, like the Armed Services Committee, should make those decisions.

General JONES. The appropriate committees, and we should not accept stretchouts as the way to beat this ratio I am talking about. We ought to bite some bullets. We are trying to do more than the country has said we can afford, so we ought to face up to it now.

INTERSERVICE RIVALRY

Senator CHILES. You mentioned the problem of interservice rivalry. Could you describe some of the programs and mission areas where cross-service cooperation could save money and increase effectiveness?

General JONES. Yes. I do not use the word "rivalry." After the war, the Air Force and the Navy got in a big fight over B-36 bombers versus aircraft carriers, and there was great bitterness and some resignations, and it impacted throughout the system. The Secretary of Defense gathered up the Chiefs and took them down to Key West, and they hammered out roles and missions. Since then, we have had what Henry Kissinger first called negotiated treaties—you know, "I won't question yours, and you won't question mine." And that is good. You do not want the services fighting back and forth. So there is not a lot of bickering back and forth. All are cautious about encroaching on anybody's roles and missions, but there is not bickering.

A clear example of where we have had problems is mobility. The Army cannot go anyplace unless supported with mobility by the Air Force and the Navy, and over the years, mobility has been underfunded and low priority, and therefore, we have a serious mobility problem. I think that is a classic example of one service being dependent on the other, and it does not get a fair shake.

BUDGET AUTHORITY IS THE ISSUE, NOT OUTLAYS

Chairman DOMENICI. I am going to go down to the Republican meeting, Senators. I will quickly call if there is a need; I will have somebody get ahold of your staff. If it is just a question of getting a quorum, I will let you know that, also. So I will go quickly.

Let me first say to all three of you, frankly, I regret that there are not more people and more members of the press here to hear you today, but there is not much we can do about that. But I really admire all three of you; in particular, General Jones, I admire what you have told us.

I cannot make the point to my friends, some of whom are in extreme positions of leadership in this place, that the budget authority is the issue and not the outlays, and I am not bragging because we both could be desperately wrong, but I had a rule-of-thumb of 3 to 1 on BA—of course, I know exactly the problem. The problem the Budget Committee and the economy faces is the reverse wedge that military spending is having as compared with the opposite wedge that the President has built in for cutting programs. I mean, we have a wedged restraint program on the cut side of domestic which starts small and ends up big. We cannot do it any other way. That is the way it ought to be done. But the military, if you cut

outlays and leave BA in, you impose an expenditure program with the reverse wedge, where 4 years from now is where it is very, very big, and an 11 to 8, which is the Secretary's proposal, is patently going to change 1986 very little. It will change the personnel costs a bit, but even that is doubtful, because the 1-year freeze is irrational enough that it is probably going to be made up for 2 years from now, which is an annual thing, and when we find ourselves back in the problem with a revived economy, and the all-volunteer military not having such a broad choice of people, then you are going to raise salaries again, so probably that savings is not even going to be reflected out there.

Our problem is a most difficult one, but I think we are doing it better than we ever have. We are not intent on line iteming, but neither are we going to just sit around here and say, "Take $25 billion in budget authority out," because it sounds right. Somebody is going to say we are not a line item committee, but if 25 BA came out and 8 outlays, here is what would probably happen, and we are not going to make it happen, but at least it is going to be logical, I hope, and I hope we are not going to get in a bidding war. I do not think we will, because I think after all the rhetoric settles down, this is a pretty concerned committee, and frankly, I think if the Secretary would help us by telling us what he has to remove under a 3-to-1 ratio BA to outlay, say, a 2-percent diminution, I think it would be very helpful to put that out to the American people if it is bona fide and say, "Yes, we are going to restrain, but here is what we are going to lose." I think they ought to know it.

DEMANDS OF STRATEGY ARE GREATER FINANCIALLY

General, did you mean when you said, "Strategy is so all-encompassing that it is almost impossible to pay for it and plan for it," did you mean that the process of evaluating the threat is met with so many different strategies that we might not be able to afford them, or what did you mean?

General JONES. Well, the strategy now is very broad. I applaud the fact that the rhetoric has been toned down in the defense statement this year compared to the past, but programs have not changed. The guidance that we received was to prepare for protracted nuclear war, to provide enduring survivability over a long period of time, to do much more in space, to do much more in air defense. Even though fundamentally, the defense submission says there is no change in policy, the demands of the strategy are far greater financially than previously.

Then it says let us be able to fight the Soviets anyplace in the world and implies simultaneity, rather than a one-and-a-half war or whatever, and it says let us be able to fight a long war, and let us be able to have maritime superiority with a 600-ship Navy, and let us be able to go to Southwest Asia, and let us improve our mobilization base, and let us improve our industrial preparedness. And you can make a good case for each one of these, no question about it. And that is the problem; we get down to arguing on one item. But you cannot do it all.

I do not mean to imply by this that all of a sudden, you cut the cloth down to the point to fit the dollars available, cut the strategy as we did in 1950 by saying Korea is outside our area of influence.

SECRETARY OF DEFENSE NEEDS BETTER ALTERNATIVE ADVICE

On the other hand, by trying to do too much, the bureaucracy in the Pentagon really does not have clear guidance as to what is the most important thing to do, and therefore each service when it gets its budget is able to pick and choose.

Generally, the services are very happy with guidance and unhappy with the budget. There must be some disconnect as a result of not having enough in the budget to implement that guidance. And then the gaming starts when a service gets certain money, and that is to prove that that service was underfunded, and they are able to demonstrate it by saying, "The guidance says do this, and you only gave me enough money to do this," and then there is gaming. It is not interservice rivalry, but it is an attempt to convince the Secretary. There is nobody to give the Secretary good, alternative advice.

The joint system traditionally has given what I call an "echo-plus" and because the services dominate the joint system. What happens is the Joint Staff, which works for the corporate body, not for the Chairman, says, "Mr. Secretary, you ought to do what the services say needs to be done, but you have not given them enough money." Now, the Chairman with the five people who work for him—and he only has five people working the substantive issues; he has aides and others in addition—he works on the margin on a lot of these things, but does not have the staff support the services have. So what a chairman does is pick certain things of special interest—mine were command and control, readiness, and mobility—rather than trying to take on the whole budget.

There is not good alternative advice to the Secretary. That is one of the reforms I would have. Some Secretaries have made the systems analysts very powerful as their alternative source of advice. That is wrong, too, because they are working on the margin; they do not have all the information available.

Therefore, I would like to strengthen the role of the Secretary of Defense by giving him better alternative advice and help him in his job, rather than have an all-powerful chairman. The Secretary of Defense influence in the Department ranges from very pervasive to very little, very frankly—very pervasive in sending a ship off the coast of Lebanon, and he approves the message—but in much of the rest of this very large Department, with millions of people and hundreds of billions of dollars, it is a service determination. There is something good about that in the sense you decentralize to the people who are responsible. But on the other hand, if you do not have a good drumbeat, you are going to have people marching to four different drummers, and you are not going to have a coherent strategy or a coherent defense budget.

WHO DEFINES THREAT FOR SECRETARY OF DEFENSE

Chairman DOMENICI. My last question refers back to last year. I had an experience in this regard, and any of you can comment on it. Perhaps your experience qualifies you most, General.

But we had some budget people that I respected a great deal in terms of their understanding and their concern, and they met at length at my direction with Mr. Carlucci, to try to iron out some defense cuts, with a very strange response. In a sense, he said—and it is almost a quote—go and see Al Haig, and get him to redefine the threat.

Who defines the threat for the Secretary of Defense upon which the military strategies to respond come from?

General JONES. Well, I think the narrow definition of the threat is what comes out of the intelligence community of CIA and DIA.

With regard to the strategy that you take to meet that threat, generally, what happens—and I have seen it in every administration—they come into office, and make their major decisions in the first 100 days on weapons systems. In the first 100 days of this administration, restart the B-1, change the MX basing, go to 600 ships. After they go through that budget cycle, then they sit down and write the strategy on which those decisions were based—kind of cleaning up the battlefield afterwards.

There is a great disconnect, though, because politically, we want to project a strategy to be able to do everything, and financially, we cannot afford it. How do you get those two together? If you cut your strategy back too much, you might create a problem in the world that you do not want to; if you do not make it realistic, you have a budget that does not make sense. So it is a great dilemma. Nobody has solved it.

Chairman DOMENICI. Thank you very much.

Senator Exon.

[Whereupon, Senator Kasten assumed the chair.]

BOTH SIDES FEEL SOME CUTS HAVE TO BE MADE

Senator EXON. Thank you, Mr. Chairman.

Gentlemen, I want to welcome you and thank you for coming. You all made excellent statements.

General Jones, it is great to have you back again. I read with keen interest your magazine article in the "New York Times." I thought it was tremendously well-done, and gives us challenge that we have to continue to work on.

General Jones knows this—the other two of you probably do not—I am one of those on this committee who wears two hats. I am also on the Armed Services Committee. Senator Quayle, across the room, falls into the same category, and one or two other of our colleagues. Earlier this week, we had our two witnesses of this morning in the Armed Services Committee, and here they are again today, and we have to put our two hats on. Some people think that is easy, but actually, it makes it most difficult for us to try and carry out our assigned duties.

One of the things that I would like to tell you—and I have told other witnesses this and indicated yesterday to our distinguished panel of former Secretaries of Commerce and Treasury, who came

in and said, "Well, yes, you have got to cut $25 billion out of the defense budget next year; you probably cannot do it this year, but next year." We hear that over and over again, but it seems to be the feeling on both sides of the table now that we are going to have to make some cuts. And it is very difficult, I find, going out among the people and trying to explain why we cannot cut money this year out of the defense budget, and the obvious reason that you understand it that you take out the pay of the people—and I happen to agree with you, General Jones, and I am ranking minority member on Manpower—that freezing the pay of our military people, especially on top of the 4 percent last year—and I basically was successful in getting the Secretary to concede earlier this week—that at the end of that period, we would have a greater disparity in pay between the private sector and the military than we had when this administration came into office. The Secretary answered that by saying, "Oh yes, we are going to take care of it in 1985."

Well, there we are, putting things off again, and in the end not saving any money.

HELP NEEDED IN DECIDING PROGRAM CUTS

My point was, do any of you have any specific suggestions as to what programs should be cut. Now, some of my colleagues on the Armed Services Committee, to their credit, came out and said, "Well, if we cut back, let us start cutting our force structure." Well, we have the idea, and I think it was you, Dr. Pranger, who pointed out that we probably do not have the force structure now to defend where we might be called upon to defend.

My question is what can you do to tell us if you were sitting on this side of the table, as to what specifics we should cut? We have had no help from the Secretary on that, and we have had little or no help from members of the Joint Chiefs of Staff—and I can understand their reluctance to get into that area. If you can give us any help as to where you would start cutting next year, if not this year, I would appreciate that.

Along that line, I would like to ask General Jones a question or two, because I think he is tremendously knowledgeable in all of this, and also tremendously balanced, and I have seen him operate under some very, very difficult circumstances the last 4 years that it has been my pleasure to work with him.

I would say first that if we are going to talk about making any significant reductions—let us take the $25 billion next year, that the distinguished panel suggested yesterday afternoon—then there is no question but that we are going to have to go, as General Jones has indicated, to the heart of some specific programs—the B-1, the MX, the shipbuilding program, the cruise missile program—something of a very big nature.

PEOPLE MESMERIZED BY SOVIET STRENGTH

I would like to ask you, General Jones, about an idea that I have been exploring. I do not expect that you would endorse it, but I am wondering if you think we might be on some kind of a right track by recognizing the fact that everybody is mesmerized, or some

people are mesmerized today, by the strength of the Soviet Union. I am not mesmerized by it; I am concerned by it, and I worry about it, but I am not mesmerized by it.

Essentially 75 percent of the Soviet strength is tied up in land-based ICBM's; we are talking about the ICBM area. Now we tend to want to build up and offset that. Sometimes, I wonder if we are using our ingenuity, our technology—which I still think we have a lead—I just say that we had better start emphasizing where we have some strength and maybe leverage their weakness.

I think in the immediate years to come, the rest of this decade, at least by 1992, the Soviets could be well wishing that they did not have as high a percentage of their ICBM's, about 75 percent, in easily-targeted, fixed silos that we can attack with our technology.

CONSIDER DEEP-BASING MX

Do you think it would make any sense, General, to maybe consider that the MX would best serve its useful purpose—and I think it has one—if we could maintain our triad, which I think has served us well—and I would evidence the fact that we probably do not have the window of vulnerability that we used to hear so much about, simply because our triad is very strong, and when we have some weakness in one area, we pick it up in another. Is there any thought to possibly reducing some costs by considering deep-based silos for the MX which I think you would agree would best protect them from the first strike, make them so they would not be our first retaliatory weapon, try and ease, if we could, the decision that the President now would have to make in a relatively few minutes as to whether or not this is a full first strike by the Soviets, and maybe go to an option of the Trident-2 missile as our immediate response weapon, and with the Trident-2, it will have hard target kill capability before the end of this decade.

Is there some saving that is worth considering in this to keep the balance of the triad and still get away from the idea that we have got to have the equivalency of 70 percent of our ICBM's on land base since they do?

General JONES. First, Senator Exon, thank you for your earlier words.

With regard to the MX, first on deep-basing, that has been considered more in a context of protracted nuclear war survival than the deterrent, and I have some question as to its survivability in deep-basing versus the tremendous cost, and that this thing would, like a mole, dig itself out of the deep ground sometime, in the middle of a nuclear war.

With regard to the MX—and I will say I have been a supporter—I am awaiting the outcome of the Brent Scowcroft group. Very competent, very knowledgeable people are taking a deep look at the problem, not only of basing of the MX. So I want to withhold my own judgment until then—they are spending a great deal more time than I had spent on it, even when I was on active duty. So I think we ought to look to what they will come up with, which will come out very shortly, as to what we should do.

MX SHOULD HAVE MILITARY NEED

We should not buy the MX just because of negotiations. There ought to be a good, logical military need for it. I have seen that need in the past, but I would not buy it as a bargaining chip, because we do not usually get all that much out of bargaining chips.

But it is an area that we ought to have an open mind on, the basing and the mix—there is no part of our defense budget that ought to be considered sacrosanct for any one weapons system, the difference between life and death in this country. And if we ever get to the point where one system is life or death, then we in the military have done a disservice to the Nation.

There are people, though, who will say if weapons system "X" is not approved, the whole national security is going apart. I do not believe it.

But I would say let us look at what that Scowcroft group comes up with, and they are taking a good, deep look at all alternatives, I think, including what you have just said.

Senator EXON. I have further questions, but I will yield at this time, Mr. Chairman, so we can kind of pass this around.

REORGANIZING JOINT CHIEFS OF STAFF WOULD REALIZE SAVINGS

Senator KASTEN. General, could you give more details concerning your proposal for reorganizing the Joint Chiefs of Staff? You suggested that the savings General Meyer was talking about, around 15 percent, might go as high as 25 percent. You also mentioned that you would beef up the staff at the Joint Chiefs' office. But specifically, what would you do, and specifically, where would those savings be realized?

General JONES. First on savings, just very briefly, when I said 25 percent, that is not just the JCS. That adds in the Office of the Secretary of Defense and the Congress' and we get our whole act together. Then I think we are close to approaching 25 percent.

Our system is an outgrowth of the British system in World War II. In all the NATO meetings, I sat next to my British colleague, and we became close friends. We compared the problems—he was called the Chief of Defense Staff, but he had essentially the same role that I had as Chairman—and we talked about it, and we compared our problems, and they were almost identical and the organization almost identical. And we came to what was considered to be about identical solutions to the problem, and that is, as long as you turn to the corporate body of the service chiefs for joint advice, you are going to get advice that is dominated by the services. Four out of five are service chiefs. The Joint Staff works through the corporate body. The Chairman can go off on his own a little bit, but if he goes too much, then he has destroyed his utility in bringing everyone together in agreement on the issues.

RECOMMENDED CHANGES IN REORGANIZING JOINT CHIEFS

So what I have recommended—and I must say that most former Secretaries of Defense and Deputy Secretaries who have testified say what I am doing is a good step, but they would even go further, what I would have is the service chiefs, through their service secre-

taries, represent their services and be advocates and fight for their services; that they would still be a part of the joint system, but the Chairman would get his inputs from the chiefs, he would get his inputs from the joint staff which would work for him, and from the field commanders. He would then give advice to the Secretary of Defense. I would call that horizontal advice. That cuts across the services and roles and missions. And the services give the vertical advice. So the Secretary of Defense then gets alternative advice, and some is on the horizontal, without regard to roles and missions, and some is service advocacy. And then the Secretary of Defense will be in a much better position to make decisions.

I would give the Chairman a deputy, I would give him control of the joint staff.

Interestingly, my colleague, Adm. Sir Terrence Lewin, wrote this up, sent a memo to Margaret Thatcher, she initialed it, and they implemented it—and they implemented it before the Falkland Island crisis, and we're very pleased that they did. It worked very, very well for them, and other than some minor adjustments of moving further in the joint area, they are satisfied.

I think it might be easier to change our Government to a Parliamentarian system to get the change in the Joint Chiefs of Staff. [Laughter.]

CHANGES THAT WOULD RESULT IN DOLLAR SAVINGS

Senator KASTEN. General Meyer has attributed a 15-percent increase in efficiency to specific reorganization of the Joint Chiefs. Given the current levels of spending, this is approximately $37 billion.

Can you point to certain changes that would result in certain dollar savings?

General JONES. Yes. I am in less of a position right now to be precise than General Meyer. I think, he has some specifics on where you could save.

I think one area is that we have four air forces. I do not propose that we go to three or two or one; I am not taking on that big a battle. But there is a tremendous overlap in the air business, whether it is in land-based support of maritime, or it is in support of a land mission. I think that is one case. In command and control, we are badly fragmented, as we are in weapons system development; we also have duplication of facilities around the world.

You can force some of these today, but there is not a good system of prompting them and promoting them.

I think we can save great amounts of money in personnel and have greater effectiveness, not by cutting pay, but there are a lot of other things for reducing instability. I think a horizontal look at the problem will give an opportunity to look at some of these things in a more objective fashion than a service and a service chief can. And I was a service chief, and I understood the need to have my constituency behind me and to fight for my service.

Senator KASTEN. Thank you very much, General Jones.

Senator Quayle?

ELIMINATE PROGRAMS, FORCE STRUCTURE, OR READINESS

Senator QUAYLE. Thank you, Mr. Chairman.

I would like to welcome back General Jones and the other panel members. I would like to zero in on how we are going to bite this bullet. I heard you say to Senator Chiles that we cannot go stretching out these programs because in the long run, it is going to cost more. I suppose that is the case if, in fact, you are going to build the same number of B-1's or C-5's or Aegis cruisers or whatnot, in the long term, as you would in the short term.

But if I heard your response to him correctly, you really said that we are going to have to eliminate some programs. Isn't that basically what you said to Senator Chiles—that we have to make some hard, calculated decisions now, and not just sort of rely on stretchout?

General JONES. It is an oversimplification. You have about three choices: eliminate some programs, eliminate some force structure, impact readiness.

In my order of priority, I would least touch readiness, and therefore, if I am forced to—and again, I am not advocating defense cuts because, as I pointed out, there are already programmatic cuts as a result of underpricing—but if I were forced, I would probably cut a combination of procurement and force structure.

AGREE ON STRATEGIC ISSUE FIRST

Senator QUAYLE. Suppose you were forced to make a reduction, say, of an additional total of about $15 billion. The Secretary has recommended about $8 billion in fuel, inflation, and some pay; some of the pay will probably get restored, and I think the other two proposals will be accepted. This committee is going to be forced to decide what the defense number ought to be. We are not a line item committee, but we have to have some degree of certainty as to what we are recommending and what we are basing that on.

Are there any procurement programs that you can identify that we ought to eliminate?

General JONES. No. I have avoided this, because I would then be guilty of what I have accused other people of doing, and that is not being interested in the bigger issues and only interested in weapons systems.

I say the first question is, let us talk about what we want to do in the strategic field, for example. How much of a protracted nuclear war do we want to fight? Do we want to get into space to a greater extent? What about air defense of our country, revitalizing the air defense? These are the issues. And we are also going to look at Europe and maritime and Southwest Asia and a whole area of power projection. If we can come to some agreement as to where we should cut, then go on to the weapons system.

Senator QUAYLE. Well, what you are basically asking, then, is to go back and redefine the strategy and redefine the——

General JONES. Not in total. It is to look at the strategy and say, if we are going to have some risks, where should we accept those risks.

FORCES BEHIND COST INCREASES

Senator QUAYLE. Yes; but basically, didn't we get into a rapid increase, at least a change in strategy, that gave guidance to the service branches, on going from a 1½ war to a global-type situation? Isn't that the driving force behind the suggested scale of increase of this Administration? Isn't that basically it?

General JONES. Well, that was for the conventional forces. For the strategic forces, it was more the protracted war———

Senator QUAYLE. OK, you take the 1½ war on a conventional plus the protracted war strategy and the document of last year, not this year.

General JONES. Well, yes, and the idea that the Soviets are way ahead in strategic forces, and therefore, we have got to———

Senator QUAYLE. You take those three things, and that is what is driving the costs and trying to build out a strategy around what the assessment is by the Defense Department. But to get any kind of change in that, we would have to get the administration to change that assessment, and that is not going to happen. I mean, that is not going to happen in the short term. So we are really put in a box. If there is a consensus, and I certainly think I detect a consensus, of reducing the increase by about $15 billion, $7 billion more than what the Secretary of Defense has indicated, and if we cannot extract from you where these targets ought to be, can you recommend anybody who might be able to come forward and give us better assistance? Actually, the worst thing—and you would probably agree—would be for the Congress to go off halfcocked and decide we will just cut here, willy-nilly. We ought to have some sort of coherency in the way we do things.

START CUTS IN GENERAL-PURPOSE FORCES

Dr. PRANGER. Could I interject here that in fiscal year 1984, as I read the budget on TOA, at least 40 percent of that budget is in general-purpose forces, and frankly, if I were beginning to look for a place to cut, I would look at the naval component which is, I suppose, one of the really sacred cows in this budget. And the reason for that is because—and this also applies to tactical air, and I must say to certain areas of land forces, armour, for example—there is worldwide an improvement in forces in these areas.

Right now, Secretary Schultz is in Peking, and there are troubles between the People's Republic of China and our bureaucracy about certain naval programs. Those programs are not costing us a dime, but there are bureaucratic hangups or problems with this.

The point is that I really think until you have a picture of what else is available in the way of power projection for the United States besides its own forces worldwide, particularly in the general-purpose forces area, and what plans we have to utilize this for access, I do not know quite where one would begin to cut, but frankly, since about half of the budget or 40 percent is in the general-purpose area, I would begin to look there, and that would be for starters, and there I would look at the full range of our security assistance programs, the full range of our alliance programs, the whole issue of burden-sharing which is mentioned here in this document on defense, and it is pointed out that another document will

come to Congress on this subject of NATO burden-sharing, but that in fact we have no explicit agreements on burden-sharing, except initial plans about the cuts of various proportions in NATO among the allies. But the whole question of what is happening in terms of burden-sharing is important. Most of that relates to general-purpose forces.

General JONES. If I could jump in with a disagreement, first I think that dollar for dollar, we get more out of security assistance than almost any other part of the defense activity, because the overwhelming amount of that money is on loan, as you well know; it is not an appropriation in the traditional sense. And I think also, heading down the road of burden-sharing, that we ought to continue to pursue it, but the idea that we should pull troops out of Europe, or stop different things because our allies are not sharing the burden, I think, is sort of cutting off our nose to spite our face.

With regard to the broader issue, Senator Quayle, I know your dilemma. I am working a different problem than you are, and I am working for fundamental changes in the structure, and to go out and advocate certain weapons system cuts by name will make it much more difficult to keep some impetus going on structural changes.

I am convinced the problem is not 1984. I am convinced the problem is 1985, 1986, and 1987. So I cannot help beyond saying I would be very careful in touching readiness; I would look more at procurement and force structure.

GOING TO BE LESS TO SPEND ON DEFENSE

Senator QUAYLE. Let me just say this, that it is a difficult position that a number of us are in, particularly those who have been very supportive of the buildup. From an economic point of view and just facing reality, we are going to have less to spend on defense than we want to.

I think it is fine to look at and discuss the big picture, but when you get down to actually doing something, what I am afraid is going to happen is precisely what you do not want. You mentioned NATO. I mean, somebody may just go ahead and offer an amendment to either freeze or withdraw a number of troops and show that you are going to save $700 million or $800 million or $1 billion, and when Congress gets geared up to go in that sort of salami-style approach to defense spending, I think it is very dangerous for the country. And I can understand your preference to talk about structural reform, but we are in a bind right now. We are going to have to make some decisions in this committee.

Do you have any suggestions on who we might talk to that might come in and give us a baseline on how we can get an additional——

DEFENSE CAN BE CUT WITHOUT IMPACTING SECURITY

General JONES. Obviously, the best thing is the involvement of the Pentagon. But I think the problem is that people in the Congress—they have to have a rationale that they can cut the defense budget substantially without impacting security. They are looking for the argument that this weapons system is not needed, and this

is not needed. They are all needed in order to reduce the threat, and to reduce the risk.

And as long as people are looking for rationale which says these things are not needed, they are not going to get much help.

I think with the Pentagon, there is much better chance of getting help if they know that you have established a certain number and recognize that it is going to have an impact, and then sort of mandate that they come in with certain recommendations.

I understand your dilemma, but it is the dilemma of not being able to make a cut without having some impact.

BURDEN OF PRIORITIES ON PENTAGON

Senator QUAYLE. Well, as far as the process would go if the Budget Committee would make the determination that you are going to reduce an additional $7 billion, then I suppose the burden would be on the Pentagon to come up with how they are going to prioritize, and work with the Armed Services Committee and the Appropriations Committee for those expenditures; is that essentially what you are saying?

General JONES. Yes, but the problem is, if you just look at $7 billion outlay in 1984, you will get cuts in the same general area, or the $8 billion cut made by the Defense Department, which will not solve the problems of the future.

Senator QUAYLE. Well, I think you are talking about cutting authority, too. I think people are really going to focus in on budget authority because they realize that that is where the big increases in the out-years——

General JONES. Yes; I would give at least the Pentagon one chance—I mean, if you can convince them that this is——

Senator QUAYLE. That it is going to happen.

General JONES [continuing]. That it is going to happen, and give them one chance to get involved in the action, but in a way that does not result in just near-term cuts and does not accept stretchout as the main answer.

TENDENCY TOWARD STRETCHOUT

Senator QUAYLE. But you could have stretchout if in the long run you built fewer bombers and fewer cruisers and fewer attack submarines——

General JONES. I do not mean there are not a few areas for stretchout, but what usually happens is we stretch down to very small numbers. I do not know the numbers precisely, but in his book, Norm Augustine reports we have 20-some different aircraft in production, and on half of them, the production rate is less than 12 a year—my numbers may be wrong, but the basic point is valid.

Dr. GANSLER. One of these Senate add-ons several years ago was one airplane every 2 months, and another one was one airplane every month. It is almost impossible to build airplanes that slowly.

General JONES. We are down below economical rates now. So I am not saying there are not some areas, but the tendency is to go heavily toward stretching, so you do not kill anything.

Dr. PRANGER. In this budget report on page 198, Senator, there is a statement about rapid deployment related program costs, which

stretched out through 1988; on Southwest Asia, specific cost is $4.376 billion; in other costs related to Rapid Deployment Force, over $9 billion, for a total in those outyears, including fiscal year 1984, of $13.5 billion.

Now, I fail to see how anyone, frankly, can buy a program without first asking what are the forces in Southwest Asia, besides what we are putting there. Yet, if I look at these 10 or so pages of this report, I see nothing. So in other words, what is being said in this report is a Rapid Deployment Force is being built for our security, but it does not say (a) how it fits into anything else which is there, but (b) what other force capability is there should we have an emergency in Southwest Asia and need force instantly. It strikes me that under those circumstances, there are parts of this budget—again, Southwest Asia and the Rapid Deployment Force, now a new central command, no less—have become something of a sacred cow. But it strikes me that until the full information is available on the defense capabilities of Southwest Asian states for defending themselves and the oil supply, I would be very suspicious of those figures. I think there is a lot of suspicion even in the Pentagon about the Rapid Deployment Force.

DENSE PACK

Senator QUAYLE. I have one more question, and then I will yield to Senator Exon.

I would like to followup on Senator Exon's question on the MX. What is your opinion of dense pack, General Jones?

General JONES. The Dense Pack proposal came up after I left, but I have had some information on it. I have not gone into great depth. I think it was unfortunate that Congress imposed the December report requirement. I do not think the administration had their act together when they announced and made the decision on dense pack. I can recall in August 1981 when I strongly recommended that they not reject the old basing system, which had congressional support, despite some environmental problems, until they had a system that was equal or better. But they rejected that advice and came up with a big airplane and a hardened Titan solo, which were rejected. I testified that I thought they were unwise, and therefore, I did not think they had a chance when they came in with Dense Pack. There are uncertainties about it.

Senator QUAYLE. What are the key uncertainties to you?

General JONES. Well, the degree of hardness, how well the Soviets could plan an attack. But again, on that subject, I have, as I mentioned, the greatest respect for the Scowcroft group and their objectivity, and I am looking to hear what they have to say on Dense Pack.

Senator QUAYLE. But do you have strong reservations about dense pack? I know the Joint Chiefs did not even go along with it; 3 out of 5 of them were basically opposed to it.

General JONES. Well, I think there are some uncertainties and some reservations, but not to the extent that I felt that I would come down against it, but before I became a strong advocate of it, I would want a bunch of questions answered.

USE MX AS LEVERAGE FOR ARMS CONTROL

Senator QUAYLE. Do you think that the MX proposal could be linked to an arms control proposal as leverage under the total package to get fewer launchers and fewer ICBM's? Do you see that as a possibility? I don't mean as a bargaining chip (because that means you are throwing it away), but as leverage. For example, you might have 50 MX and 100 silos, with the understanding that you would eliminate your Titans and some of your Minutemen, in exchange for the Soviets to eliminate some of theirs as a way to get reductions and a countdown in the number of ICBM's?

General JONES. Well, I think there is great leverage with the MX, and that leverage would be lost if the program is canceled. But what we have to recognize is that in all the plans, if the wildest expectations of the current proposals are realized, and the Soviets sign tonight, the plan is to continue with the MX and its deployment.

Senator QUAYLE. Do you think you could actually link this to an arms control proposal with the MX?

General JONES. I think so. I am very attracted by Senator Cohen's proposal, and that is——

Senator QUAYLE. That is sort of a 2-for-1 type proposal. It is not a specific linkage to the——

General JONES. No; but it could be linked in a way. But the 2-for-1, I think, has great merit. It establishes a ceiling. If we obtain all of the U.S. proposal in START with regard to phase I in reference to ballistic missiles, both nations would have more strategic warheads in 1990 than they have today, in that cruise missiles and bombs would offset the cut in the ballistic missiles. So, something that caps—I am against a freeze as such, because I do not think it is verifiable—but some sort of cap and then a reduction, with some modernization as Senator Cohen recommends, I think has great appeal, and you could tie in leverage of the MX to that.

Senator QUAYLE. Senator Exon?

FOCUS CUTS IN MAJOR PROCUREMENT PROGRAMS

Senator EXON. I would like to ask Dr. Gansler and Dr. Pranger if they could give us something specific as to where they think we should make cuts because that is what we keep coming back to. General Jones was good enough to say that if he had to make cuts, he would make them in force structure. I have heard that before.

General JONES. Procurement.

Senator EXON. That is a little bit like, though, the individual who was elected mayor, and after he got elected and they asked him, "How are you going to cut?" and he said, "I am going to cut the police department and the fire department." Well, nobody wants to cut the police department and fire department, so he is home free. At least, though, he came up with something specific, and that is good.

Can you, in your studies, Dr. Gansler or Dr. Pranger, give us anything where you might cut—I believe you mentioned, Dr. Pranger, something about the Rapid Deployment Force, and I took note of that, but is there anything additional? Where would you go?

Dr. PRANGER. Well, it is, I think, important to recognize at the beginning that there is great controversy about some of the basic Reagan procurement programs on the part of former Secretaries of Defense. For example, neither Laird nor Brown supports the B–1 bomber, and yet it is being funded. Harold Brown refused the two nuclear carriers, which are being funded. The land-based MX system itself in its present form, is rejected by Brown, and rejected totally by Laird in favor of a sea-based system.

So if I were to start with procurement, I would start with the heaviest ticket items and point out that just 2 or 3 years ago, appropriations were not being voted for the B–1 bomber and now the two carriers, and now are.

The point I am making is that there is extreme controversy among the former leaders of the Department of Defense over the virtue of these systems. So I guess I would say that if I were not carving out areas like the Rapid Deployment Force, which I really think is still going to be heavily dependent on indigenous powers for any effectiveness, I would look at the largest ticket items on which there is no consensus in the writings of Brown, Laird and other defense experts—to say nothing of McNamara, who is questioning nuclear weapons themselves in the abundance we have them.

I would not consider any of these systems to be absolutely essential to national security in any sense of a broad consensus on the systems. So my second step in cutting would be, again, to refocus attention to these major systems.

Senator EXON. Thank you.

Dr. Gansler?

MAKE CUTS IN PROGRAMS THAT HAVE A TIME IMPACT

Dr. GANSLER. Let me try to address both your question and Senator Quayle's, in the sense of this committee's area in terms of potential cuts.

I think I end up in exactly the same position that General Jones is. I have a problem with already seeing four committees that do micromanagement on defense line items, in terms of each and every one of them being picked at, cut off six airplanes here, add two here, and change the resistor size in that missile, and so forth.

My perception is that the Budget Committee was a major step forward in the overall congressional budget process, and it was intended to take a broad perspective, and that was the reason that the Budget Committee was set up. What is still lacking in the Congress is the broad perspective that looks broadly in time as contrasted to at each of the various agencies, which this committee does do. It seems to me that the responsibility of this committee, perhaps most importantly, can be to try to focus in the defense area on those programs which do have a time impact. So that if you were looking for areas where you could try to make cuts, it seems to me it has to be in those things which will impact in 1985, 1986, 1987, and 1988—major problems that this Nation is facing—and not whether it is $1 billion taken out of fuel or out of pay, because you know you are going to get that pay increase back the following year; and if you do it in a procurement account, whereby

you take a program and say, "All right, we are still going to buy 700 airplanes, but we will buy them at one every 2 months for the next 116 years," so we can stretch out the program and simply be inefficient forever in every one of the programs, and that is exactly what we have been doing. We have not faced the fact that rather than defer some or simply terminate some, we will just simply stretch all of them out and pay much more than we have to for every one of them.

That is what we have been doing, and my suspicion is that if you do the same thing, that is what will continue to happen. Now, there are programs that could be deferred, there are programs that perhaps need to be canceled. That is up to, I think, the Armed Services Committee and the DOD to look at those—and I would agree with General Jones that that is something perhaps they can if they have to face up to—and some of those probably will have less military implications than others, because there are longer term replacements coming in. I do not think, Senator Quayle, you have to change your overall strategy so much as you have to say when you are going to get there.

In other words, it may be that the next generation, modernization will start in 5 years instead of starting in 1 year, and that is all you can afford. It is essentially an affordability analysis, which I think the Budget Committee can do over a 5-year period and determine what items can be bought, but most importantly, can be bought efficientlly, because you can certainly buy one of each, forever. But that is not going to get a stronger defense posture for the United States. I think we would be far better off making some distinct choices, and I think those are more military choices, and I would tend to agree that a reorganized Joint Chiefs would tend to make probably better military choices. But I expect it is not a Budget Committee decision as to which are the proper military choices; it is a Budget Committee decision, it seems to me, to force the Defense Department and the executive branch to look out into the outyears and make sure that decisions being made this year to save, if you say $7 billion, are not, in fact, going to cost us $50 billion in the next 3 years. That is the biggest concern I have, and I am sure it will happen, based upon history, if we do not do something differently this year.

DETERMINE CUTS FROM A MILITARY-ECONOMIC TRADEOFF

Senator EXON. Dr. Gansler, let me ask my question again, because I do not think you answered it. Maybe you do not have the answer.

You are talkinq to two members of the Armed Services Committee, so let us assume that we are in that posture. What do we cut?

Dr. GANSLER. I was addressing you in your other capacity, Senator.

Senator EXON. Well, now we have changed. Let us play like we have changed.

Dr. GANSLER. I understand. Frankly, I have a great deal of difficulty from the work that I have been doing in trying to say what are the militarily right and wrong systems. I have been mostly

stressing the procurement area and what are efficient ways to do business and inefficient ways to do business.

It does strike me that some of the things we are buying, we are buying extremely inefficiently. So even ignoring the military issue, it seems to me we can look at some of the issues from the pure economic questions. As I say, buying at very low production rates probably is not worth doing. We may as well terminate those programs—or buying a very small quantity of something probably is not worth doing. That is the kind of place I would start to look.

But I would agree with General Jones, that I think the Defense Department is in a pretty good position, if they are honest with themselves, to first price the systems honestly—in other words, put in the dollars it is really going to take to do it, rather than maybe in some cases what is in there—and then, having done that and recognizing the constraints that you place on them for the total dollars, they can probably come up with pretty good choices from a combination of military-economic tradeoffs. I just do not think it is fair to put us in that position for them.

There are obviously lots of candidates that have been proposed, some just here at the table. Those are obvious places to start looking. But it is not clear in terms of the overall effect, which would be the best to me.

Dr. PRANGER. Senator Exon, I think we should remember that we do not have to look for the programs. They were once cut, and they have been put back in again: the B-1 and the two carriers.

Senator EXON. I think those are good suggestions, and that is really what I wanted. The Budget Committee, of course, is not a line item committee, as you have pointed out. I do think, though, that the Budget Committee has the responsibility to go into some of the specific programs; otherwise, the dollar amount that we are recommending is based on nothing.

Dr. PRANGER. I did not mean to imply that.

Senator EXON. Probably the largest difficulty that we are having from the stretchout, the buys of the onesies and twosies, which I think is a very legitimate point, comes from the other part of this three-part triad, the Appropriations Committee. We find time and time again that the Appropriations Committee paid little attention to the authorizing committee—in this case, Armed Services, on which we serve—and we get cut to pieces down there by people who are very well-intended but do not spend the time that we do, in literally months of indepth hearings, half of it or two-thirds of it behind closed doors.

I just want to say, gentlemen, you have been very helpful. I thank you very much for coming, and I have enjoyed the discussion very much.

EFFICIENT PRODUCTION RATE

Senator QUAYLE. Dr. Gansler, you talked about not redefining the strategy, but perhaps getting there over a longer period of time, and that really goes toward the so-called stretchout that everybody says they are opposed to in some respects.

Isn't it true in some respects, like with some of the problems we have had with our aircraft, whether it is or even the F-16, that

what we would really do is we would get the procurement and get it on line, and before we really get out there and get it out in the field and find out what some of the kinks are, if we had slowed down the production lines a little bit, we might have been able to have ultimately a better design and a more fit as to how you are going to use it in the field than what we have had? Isn't that some of the complaints that we have had, that we have actually gone too fast with the production?

Dr. GANSLER. Let me comment on both of those points. There are two ways to reduce dollars and get to some point at the end that you are trying to get to, say, 10 years hence.

One is to take, say, you have 10 programs, to stretch all of them out over the 10-year period. An alternative would be to take five programs and run them at efficient rates for 5 years, stop them, and run the other five at efficient rates for 5 years and stop them. At the end of the 10 years, you in both cases get to essentially the same point, except the second choice, the efficient production rate, is probably done for half the dollars of the other approach, where you do all 10 of them inefficiently. That is the distinction I am trying to draw.

The current approach, which is stretching them all out for all that time period, is grossly inefficient, and does result in the higher dollars. Examples of what I would mean is, if we are going to have a triad, then let us time phase the triad; I mean, plan it so that over a 15-year period, we modernize each arm of the triad over time, but then you do not start them all at once, do them all inefficiently, and then have long periods of starvation. The same thing is true in the tactical air, in the Navy, in other areas. In other words, it takes a longer range perspective, but you do not have to do it by stretching out and doing it inefficiently. You just can do it as a time-phased program more efficiently.

MODIFICATION OF EXISTING SYSTEMS CHEAPER AND FASTER

Now, the second question you asked, which is the point about do we sometimes deploy systems too quickly, it appears as though we have deployed systems frequently too early because we have not tested the technology well before we have begun the full-scale development of the weapons system. In other words, we may have a radar that is not fully developed and we try to shove it into a weapons system, and that therefore slows down the overall weapons system. What I would advocate instead of that is we test the radar and when it is proven, then put it into the weapons system, continuing to modify that weapons system over time. That again turns out to be a much cheaper thing, but much more important to your point, it is a faster way of doing it.

Modification of existing systems is much lower risk, much cheaper, and much faster, so you get systems into the field more rapidly. It does turn out on most of these full-scale developments where we do the technology testing, before production release, we have a gap between development and production, and that is a terribly inexpensive gap, and we do not learn much from it.

I would argue that the so-called fly-before-buy really should be done on the new technology before you start the full-scale develop-

ment, and at that point pretty much commit yourself to production of the system. In other words, say, "This is a weapons system. We have proven out the technology. Now, let us just go into full-scale development and production of that system." I think you will find that to be far more efficient than the idea of developing, stopping, testing for a couple of years, and then starting up again. By that point, more of the technology is obsolete, you have a discontinuous program which is terribly inefficient in terms of a factory operation, and I think you do not get anymore out of the testing done that late in the program. I would argue, do the testing much earlier, do it on the new technology.

STRETCHOUT MORE COSTLY IN THE LONG RUN

General JONES. I think the F-16 was a quite successful program despite great perturbations in the program as it proceeded. One thing we ought to recognize is that we learn that if we buy all of the spare parts as we produce the airplane, we end up buying about 50 percent that we cannot use because they are outmoded by the time you would use them. So by design when we buy an airplane, we are short on the spares to start with, but it is more efficient that way.

What we have got to guard against are things such as, very frankly, in the B-1 program, there is a directive that the cost of the 100 airplanes will not exceed $20.5 billion. This is an admirable goal, but if made, as it has been made, a fixed number, then if the system runs into cost increases, the system defers the fixing of it until the aircraft is in the field and costs are no longer included in the $20.5 billion. So you really cannot mandate—and Congress has tried that at times, and so has the Defense Department—mandate fixed parameters. Something gives, and it is the long-term quality that usually gives in a case like this. Anyone who imposed such restrictions would be gone by the time the cost problems surfaced.

Therefore, there is major reform needed in the procurement, as Dr. Gansler was saying earlier—simplified. But stretch out, once we have the initial flight, and have you started into full-scale development usually is more costly in the long run than coping with the problems.

Senator QUAYLE. But we have the test flights and the R&D, and then we get on to some of the early production; then there is great incentive for the companies and, of course, the Air Force or whoever the user is going to be, to get those things as soon as possible; then there is a crunch. Shouldn't we be really concerned about that procurement thrust——

General JONES. But the early productions are usually fairly low.

Senator QUAYLE. The early production should be fairly low.

General JONES. It is usually fairly low.

ORIGINAL PLAN FOR MOST PROCUREMENT NOT FOLLOWED

Dr. GANSLER. But if you look at the actual history of aircraft production, in fact, of almost all defense procurement, what you find is that we do not stick to the original plan, to buildup at a relatively low rate and then built to a higher rate. What tends to happen, because of budget constraints, primarily, we end up at a much

lower rate, and we stretch out the program. As a result, the unit costs, even excluding inflation, go up enormously because of the longer time it takes to built them over a big, stretched-out effort.

So that I do not think the problem is that they are planned to be done too rapidly. I think the problem is we do not live to the plan, and instead we stretch out the programs and raise the costs dramatically. That seems to be what history has shown, that in fact, we are not building them too fast, we are building them too slowly, from an efficiency viewpoint and from the ability to spend the dollars and get a lot of defense for it. You would be far better off doing it efficiently.

Senator QUAYLE. Well, I do not think anybody is advocating stretching out all the programs, but there are certainly some. I was just taking a look. For example, for 1984 where there are 10 B-1's in the budget, you might build 7 instead of 10. You are talking about $1 billion of savings——

REDUCING PRODUCTION AND STRETCHING OUT INCREASES COST

Dr. GANSLER. No; you are talking about a 30-percent increase in the $20 billion to buy B-1's. You have to recognize that——

Senator QUAYLE. Well, you would only build 97 instead of 100.

General JONES. What happens, Senator Quayle, is the whole system then is relieved from the accountability of the program because somebody has changed it. The whole kind uf $20.5 billion commitment is probably off.

Senator QUAYLE. That was based on the unit cost, wasn't it? We would still be able to keep within the unit cost.

General JONES. No.

Dr. GANSLER. No; you cannot build the airplane at the same cost when you are only building 7 a year or a month or a day—whatever the rate is you have set up. In other words, you have set up an efficient production rate, and vou do that based upon the initial plan, and once you have set that up, if you try to stretch it out, you have all the people that are on the program all that time, who stay on the program; you have tooling that is not being used on the program because you have geared to a higher rate. We looked at a couple of programs recently, for example, the F-15, where just by reducing the production rate and stretching it out, it cost the program, excluding inflation, something like $2 billion. Well, that is dramatic.

Now, we are talking about billions of dollars. My estimate would be on something like the B-1 that you would be talking about dramatic increases in the billions or at least hundreds of millions of dollars, tc do what you just said; get the same number at 70-percent rate over time.

General JONES. Norm Augustine has an excellent chart that shows dramatic increases whether you speed up or slow down, historically.

Senator QUAYLE. Changes to what?

General JONES. Changes to the program, of what happens once you have established what is projected to be a good, steady, economical rate, and then you change it in either direction and the result is very sharp increases in prices.

This is an excellent book on understand procurement practices. It is very easy reading. It is done in satire, but it is very truthful.

MX BUDGET HAS $2.7 BILLION FOR 27 MISSILES

Senator QUAYLE. I will, on weekends or time off, try and read that between now and the time we have to make these decisions on the budget.

If you look at the MX budget, you have $2.7 billion for procurement of 27 missiles. We have not decided whether we are going to build the missiles, so if you build 17 missiles instead of 27 missiles, I do not understand how that can upset procurement. The decision is probably not going to be made until May or June. The recommendation is supposed to come up sometime this spring, we do not know exactly when the Scowcroft Commission is going to report. We think it is going to be fairly soon—and yet, that request is in there for $2.7 billion, and the Congress has not signed off on it.

General JONES. In the 1984 budget?

Senator QUAYLE. The 1984 budget.

General JONES. Yes; but that did not start until October.

Senator QUAYLE. Well, still, if you start by October, in 1 year, you are going to build 27——

General JONES. No; you are going to authorize that. They will be built over a number of years.

Dr. GANSLER. It is probably something like over 3 years.

Senator QUAYLE. Now, I think you are talking about 27 actual missiles in fiscal year 1984.

General JONES. That is the authorization.

Senator QUAYLE. Yes.

General JONES. But that will be built over many years.

Senator QUAYLE. Well, I still think that they are talking about a production line that will produce in that 1 year about 27 missiles.

General JONES. It will take at least 3 years to produce the missiles.

Senator QUAYLE. Well, the IOC is 1986, isn't it?

General JONES. The end of 1986, so if they do not get some 1983 money, then I do not think they can meet the 1986 IOC.

Senator QUAYLE. Well, you know, if you discard stretchout and the inability for anybody to say what weapons program is going to be cancelled, you are left with force structure.

Dr. GANSLER. No; you are left with some decisions to make, you say you cannot make a choice, but you have to make a choice. As General Jones says, there is probably not any one single budget item that would destroy the Nation, and if you force yourself to choose between stretching everything out or deciding, yes, we will postpone this program, or yes, we will terminate that program, I think the DOD, frankly, would face up to that.

FORCE STRUCTURE INCREASES

Senator QUAYLE. The force structure—what about the increases? I think this budget has about a 36,000 increase in military personnel and a 16,000 increase in civilian personnel. Are there any particular reasons why we have to have that increase, apparent to you on the surface?

General JONES. I think——

Senator QUAYLE. I think those numbers are accurate.

General JONES. I think it is just to work out of all the individual items, it just totals up, as opposed to a planned increase by 36,000 or whatever.

Senator QUAYLE. Well, haven't we been building up our military force for about the last 5 years?

General JONES. Yes; at a slow rate.

Senator QUAYLE. Is 36,000 about an average build-up?

General JONES. It has not been dramatically different but I do not recall offhand. It has not been a major force buildup.

BUDGET PROCESS 'S A WAY TO LEVERAGE THE PENTAGON

Senator QUAYLE. Well, I thank you all very much, and I wish more members of the committee were here, because I have a hunch this is going to be the big debate, is the defense numbers, as the Budget Committee unwinds.

General JONES. We understand your problem, Senator.

Senator QUAYLE. It is a problem; it really is. It is a very unfortunate position that a number of us find ourselves in, but I am afraid reality dictates that something be done. The budget process is a way to leverage the Pentagon to make these decisions, which they do not want to do at this time; I can understand that. They are not going to come forth one day one and start cashing in their chips, but it is going to happen.

So if you quietly come up with any programs that could be recommended, if you do not want to go public with it, I for sure would keep your name closed, and just say that some expert witness or some expert in the field has recommended this program—you might even whisper it to the folks down across the river, too, because they are probably going to need some encouragement or at least advice in that direction.

PROCUREMENT IS LONG-TERM PROBLEM

General JONES. I just recommend keep your eye on the long-term problem. You know, social security was looked at as strictly a near-term problem, and all of a sudden, the Nation decided to form a commission to look at it, and it did not, in my judgment, solve the long-term problem, but at least it alleviated the midterm problem. So we need something similar in the defense business.

Senator QUAYLE. But isn't the long-term problem procurement?

General JONES. Essentially.

Senator QUAYLE. Essentially procurement; I mean, that is it.

General JONES. Yes.

Senator QUAYLE. Then, when you get down to saying which one should be cut, that is where nobody wants to say anything—because there will be a thousand reasons to keep the program—just like nondefense spending. In all of the hooplah of the reconciliation bill in 1981, I really do not think they ever eliminated any programs. I mean the ones that they tried to cut are still around. They put a few into block grants, because they were created for some good reason. There is some good reason to have every single program that has been submitted to this Congress or even shelved by

the Pentagon, and that is where the crunch comes in. But the long term is procurement.

What would be the best thing for this committee to do to force the Pentagon to focus on the long-term problem of procurement? We do not have the ability to do it right here and cannot be sure of what we are going to do.

HIGH RATIO OF BUDGET AUTHORITY TO OUTLAYS

General JONES. I would say a high ratio of budget authority to outlay restrictions, and then——

Senator QUAYLE. What do you mean by "high ratio?" What ratio are you talking about?

General JONES. 3 to 1 is what I use.

Senator QUAYLE. Have a 3 to 1 budget authority compared to outlays?

General JONES. Yes; what was in the $8 billion outlay cut was $11 billion authority. That means it impacted near-term things, readiness, personnel. If you go to a 3 to 1, or even 3.5—I do not know what the right number is——

Senator QUAYLE. That would amount to $24 billion in authority?

General JONES [continuing]. I am not recommending that, but I am saying if you go that direction, then you force it to address the long-term problem.

Dr. GANSLER. It will help you a lot for next year.

General JONES. If you just say, "Give us $8 billion in 1984," what you will get is another $8 billion like you got," and that is a nibble here and there, cut this—you cannot cut pay—well, I guess they could cut pay; they would not touch it—but other areas as they did, and keep the budget authority cuts very small. That would compound the long-term problem, but essentially, the attitude is we live to fight another day, and we might win some more money next time.

So I would insist on discipline. I would not try on this committee to get into areas such as stretchout versus cancellations. That ought to be more in the Armed Services. You have your role over there to examine.

But to say from this committee, first, we are more interested in long term than we are in short term, and you ought to be able to convince the public that we are going to address the long-term problem and that, therefore, budget authority is 3 to 1 over outlays.

Senator QUAYLE. Where do you derive that 3 to 1? Is that a fairly well-accepted statistic?

General JONES. Oh, I thought of it while I was driving to work one morning, but seriously, when you look at procurement programs——

Senator QUAYLE. Unfortunately, these things become reality.

General JONES. Well, but there is a little more to that. When you look at procurement programs, when you start something up, authority usually runs about 4 to 1 over outlays at the beginning. As the Department of Defense has said, if we had to cut in procurement—this was stated last year—we would have to cut $4 of budget authority for every dollar of outlay. Shipbuilding is up something

like 7 to 1, on initial building, and some small stuff, it is maybe 2 to 1. They used about 4 to 1.

Sentor Quayle. Are you talking about the planners?

General JONES. Well, that was in a statement—I do not know whether it was a statement by the Secretary of Defense or somebody else in authority. I think it is a reasonable number, that if you had to cut procurement, you would have to cut 4 to 1. Therefore, in order not to be all procurement, I drop it to 3 to 1. The recent cut was about 1.4 to 1, but that was heavily addressed toward personnel and readiness and inflation and factors that, to me, were not all that realistic. Someplace between that number of 1.4 to 1 and the 4 or 5 to 1 seemed to me to be reasonable, and I came up with 3 to 1. There was logic behind it, but no statistical analysis.

Dr. GANSLER. Essentially, the closer you get to things that affect readiness, the lower the number is, even when you get into the procurement area, because things like bullets and small missiles and things, they buy out over maybe a 2-year period, where if you get into some of the large aircraft and ships, you are buying those out over 5 or 6 years, so that the numbers come out to be much larger. So, the higher the number, the bigger the total dollars you impact, and you are doing it in the outyears.

Senator QUAYLE. Yes; there was some chart that I think the Armed Services Committee put together that showed in the O&M account, that 87 percent of the dollars expended are spent in the first year, and some of the procurement goes way out—I think it is like 12 or 10 percent——

General JONES. I think it is 7 percent on a ship and 20 percent on an airplane, and 30 or 40 percent on a small spare part where you can build in 18 months, or something like that. But it ranges—but you are right, in the operations area, it is something like 87 percent. Personnel is almost 100 percent.

Senator QUAYLE. So, as far as the $8 billion they have recommended this year, that also just translates into authority, and they are not really giving up anything in the long term.

General JONES. Very little, very little.

Senator QUAYLE. Thank you, gentlemen, very much.

[Whereupon, at 4:17 p.m., the committee was adjourned.]

NATIONAL SECURITY

MONDAY, MARCH 7, 1983

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met at 10:15 a.m., in room SD-608, Dirksen Senate Office Building, Hon. Pete V. Domenici (chairman of the committee) presiding.

Present: Senators Domenici, Hatch, Symms, Grassley, Chiles, Metzenbaum, and Exon.

Staff present: Stephen Bell, staff director; Charles Flickner, senior analyst for national security and international affairs; Richard N. Brandon, minority staff director; and Richard Koskella, analyst for national security and international affairs.

Chairman DOMENICI. This is the final day of hearings before we start budget markup. We appreciate the opportunity again this year to schedule the distinguished chairman of the Armed Services Committee, Senator Tower.

He requested this hearing last year, and the committee concurred that he should appear and give us, as chairman of the authorizing committee for this very vital area, his version of the defense budget--what he thought we ought to do. It seems to me that if it was necessary and urgent last year, it is equally necessary and urgent this year.

I am sorry that this hearing is scheduled so close to markup, but in any event, it is satisfactory to the distinguished chairman of the Armed Services Committee, and we will proceed.

OPENING STATEMENT OF CHAIRMAN DOMENICI

Chairman DOMENICI. This morning we are privileged to have Senator Tower appear before the committee to discuss aspects of U.S. defense spending. Senator Tower's responsibilities as chairman of the Senate Armed Services Committee and as a member of our committee make it especially appropriate for us to hear him today.

DETERMINING LEVEL OF DEFENSE SPENDING DIFFICULT

As is well appreciated here, the economic situation confronting the United States today appears to leave Congress with difficult choices as it works out a budget for fiscal year 1984. Determining the appropriate level of defense spending over the next several years is one of these difficult choices. This issue was discussed at

length when the Secretary of Defense appeared before the committee last month.

The Budget Committee is the instrument for presenting budget priorities before the entire Senate. By its nature it does not delve too deeply into the details of various program elements of the budget. Its responsibility is to develop the broad parameters of congressional fiscal policy. It is not the committee of expertise on individual defense or nondefense programs. For better or worse the Budget Committee's focus must be upon broad economic and fiscal goals. On the spending side of the budget, however, the committee cannot avoid the larger categories such as entitlements, defense, and other discretionary appropriations.

Senator Tower's perspective on the question of defense spending is important because his authorization committee will be charged with the primary responsibility of implementing the congressional defense spending levels. I am hopeful that he will give the committee his perspective on what the implications of possible alterations in defense spending will be for U.S. security.

LOWER LEVEL OF DEFENSE SPENDING MAY REDUCE FORCE STRUCTURE

Senator Tower suggested last year that a lower level of defense spending may require the United States to accept reductions in force structure rather than a return to the pattern of underfunding readiness and modernization which resulted in the hollow posture of the 1970's. Hand-in-hand with such a conclusion goes the implication that existing defense missions would have to also be adjusted. If we are to continue to field a global military presence within our economic resources more selectivity in forces and strategy may be essential.

The national priorities of national defense and economic vitality must be upheld as the committee begins markup in a few days. I hope Senator Tower's views will help the committee accomplish that goal.

Thank you very much for being here, Mr. Chairman. We have your written testimony. I assume you want it made part of the record in its entirety. You may proceed as you see fit.

STATEMENT OF HON. JOHN TOWER, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator TOWER. Thank you very much, Mr. Chairman, for being very accommodating and permitting me to testify. I am delighted to know that I get to fire the last round before the markup starts.

Chairman DOMENICI. Correct.

Senator TOWER. I hope that it makes an indelible impression on the membership.

Chairman DOMENICI. Especially the chairman. I understand.

Senator TOWER. Especially the chairman.

Mr. Chairman, when I appeared before the committee last year, I indicated my belief that it would be a grave error to make near-term and long-term reductions in the President's proposed defense program. My convictions in this regard have only intensified over the past year. During the course of this hearing, I will review significant trends in the global situation and how our military forces

are being used every day to support our foreign policy commitments.

I might note at this point, Mr. Chairman, that the military are charged with their task by civilian authority. In other words, the military themselves do not determine the commitments in which the United States is involved. Nor do they determine entirely the roles and missions that they are asked to perform. That role is performed by civilian authority.

In addition, I will discuss improvements which have recently been made in our defense posture, the magnitude of our outstanding requirements, and some recent changes in the economic situation that bear on our ability to fund our national security requirements. These issues should be considered of fundamental importance to the Budget Committee as we assess our national priorities and our global responsibilities over the next 5 years.

CHANGES IN THE GLOBAL SITUATION

During the 10-year period which ended in 1980, the task of protecting U.S. worldwide interests became exceedingly more complex and demanding. The rapid expansion of Soviet military might during the decade of the seventies put considerable pressure on our allies in Europe and Asia and fundamentally altered the strategic nuclear balance.

Challenges facing U.S. military forces, also magnified by growing international instability, and the geographic expansion of threats to western interests, often the result of Soviet or Soviet inspired activity. For example, in the 1970's we saw Cubans involved in conflict in Angola and Ethiopia, the Vietnamese invasion of Kampuchea, and Soviets engaged in brutal warfare against the people of Afghanistan. In addition to these open conflicts, the Soviets moved aggressively to expand their influence in Syria, Iraq, South Yemen, and Libya.

Moreover, Cuba revived its policy of supporting radical elements in the Western Hemisphere. Since 1980 the destabilizing activities of the Soviets and their surrogates have not lessened. The world is certainly no more stable today than it was in 1980. To date, the change in the Kremlin's leadership following the death of Leonid Brezhnev has not resulted in any alteration in the aggressive international behavior of the Soviet Union. The brutal warfare in Afghanistan continues as does Soviet repression in Poland.

Most troubling has been the skill of Mr. Andropov to play upon the fears of Western Europeans in an effort to divide the United States from her European allies. Within the Western Hemisphere, there are many causes for concern: The insurgency in El Salvador is continuing. Nicaragua continues a military buildup unprecedented in the region and has initiated border clashes with Honduras.

Major events of the past year confirm the trends toward declining global stability. Three major conflicts occurred during this period: The battle over the Falkland Islands; the Israeli incursion into Lebanon, and the second phase of the Iran-Iraq war. While many lessons can be drawn from these conflicts, including the value of advanced technology weapons, the major conclusion is the

continuing trend of nations to turn to military means to resolve international disputes.

The ongoing Iran-Iraq war is particularly troubling, given its potential to destabilize the entire oil rich Persian Gulf region. There are a number of forces within the Middle East that remain a serious threat to the U.S. interest; key among these is Libya.

We have no reason to be complacent about the global situation. It is true that our economic problems are real and severe. They must be addressed. However, we must caution against a myopia about budget deficits which severely handicaps our ability to deal with some very serious international security issues.

We cannot permit ourselves to be distracted from our global responsibilities while the Soviets and their surrogates, facing their own economic problems, continue to pursue an aggressive foreign policy. The global situation, which I have described, requires that the President have adequate foreign policy tools to meet the challenges that face Western security. Among these is an adequate foreign assistance program, both its military and economic components. However, one of the President's chief foreign policy tools is a capable military force.

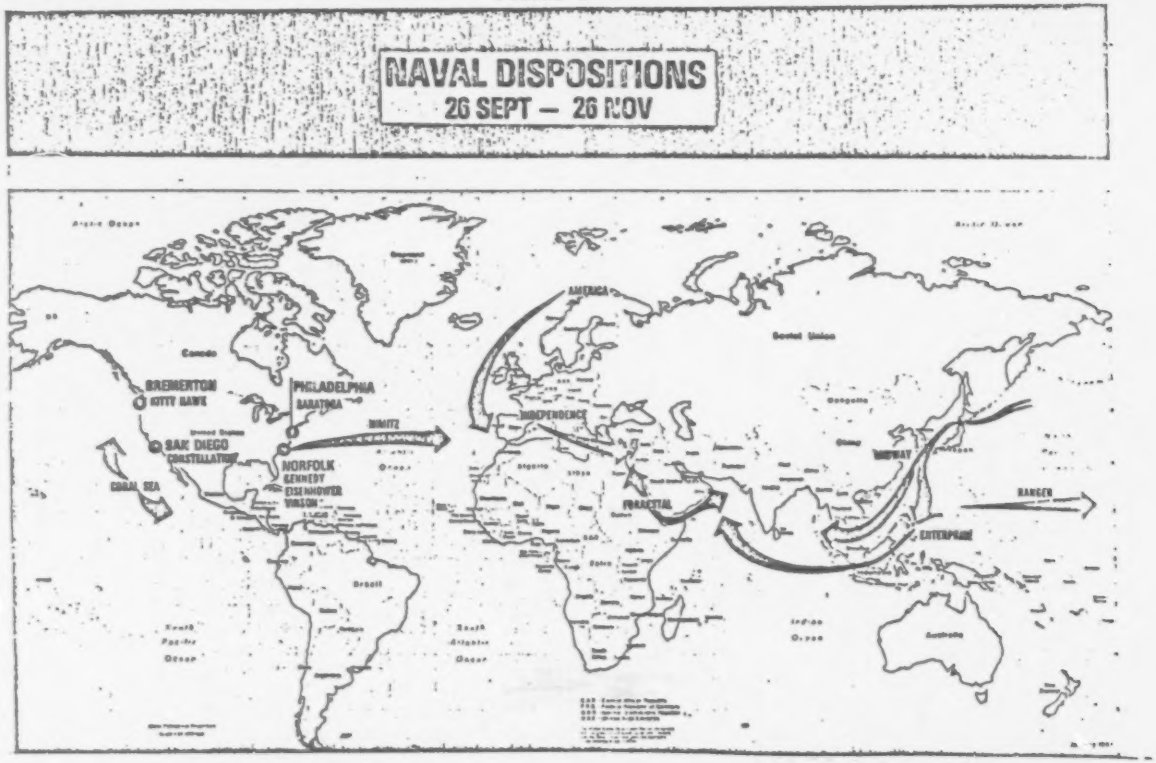
Essential to the value of this tool is the perception by our allies and our adversaries not only that the United States has the will to use these forces in support of its foreign policy objectives, but also that we can prevail should deterrence fail.

DEFENSE AS AN INSTRUMENT OF FOREIGN POLICY

In urging the Budget Committee to support the full range of foreign policy related programs in fiscal year 1984, I do not want to leave the impression that the United States is not responding to these crises, or that our Armed Forces have been idle during the last 12 months. In fact, our forces have been quite active, both in response to international crises and in the preplanned execution of operations and training and support of U.S.-foreign policy.

For example, figure 1 depicts naval operations during the 2-month period from the end of September through November 1982. During this period 8 of our 14 carriers were at sea in support of U.S. policy.

FIGURE 1



Eight of our fourteen carriers at sea in support of U.S. Policy. INDEPENDENCE was returned to Eastern Med to support reinsertion of Marines into Lebanon. AMERICA diverted to the Med to assist for about 2 weeks. FORRESTAL transits the Suez Canal to relieve AMERICA, MIDWAY, then ENTERPRISE relieves FORRESTAL, RANGER returns from major deployment, NIMITZ deploys to the Med via Caribbean operations, and CORAL SEA assumes ready carrier in the Eastern Pacific.

Source: Office of the Chief of Naval Operations

The scope of our global commitments required adjustments in the movement of carrier battle groups in every ocean to meet our commitment in Lebanon while fulfilling all other international obligations. This flexibility is not easily acquired or sustained. The Navy modified the deployments of seven carriers to place two on station in the eastern Mediterranean Sea. The incremental cost of Lebanon commitment in fiscal year 1983, which will have to be absorbed through a decline in other operations or maintenance is in excess of $100 million. The pace of operations in the other services is just as impressive.

Funding approved by the Congress supports our foreign policy on a daily basis. Any decrease from the current level of effort is certain to have at least one of the following effects: a reduction of our ability to perform these same missions more efficiently in the future and to meet the projected threat; a reduction in our ability to support foreign policy objectives this year; or a reduction in the manpower and materiel support base necessary to carry out these operations.

Let me emphasize that if substantial reductions in national defense are going to be forced, we must first ask our civilian policymakers which foreign policy commitments they are prepared to compromise. It is unreasonable to ask the services to give us a list enumerating any substantial cuts until we tell them which commitments or which roles and missions assigned them by civilian authority will now have a lower priority.

DEFENSE IMPROVEMENTS SINCE 1980

In 1980 there was a serious concern among the American people that our military capability was rapidly declining relative to that of the Soviet Union. The American people were outraged that our defense posture had been neglected and permitted to deteriorate. In America people understand well that a weak military or even a perception of weakness will undermine the very purpose of a strong military: namely, to deter aggression; and that such weakness will increase, not decrease the likelihood of conflict. They were also angered that our military might not be able to prevail should deterrence fail.

Let us look at the state of our military in 1980. In late 1980 the readiness of U.S. forces was at an all time postwar low. Personnel retention had become critical. The Army was short 515 infantry squads and 6,000 combat arms noncommissioned officers.

Ships could not sail for lack of specialized personnel. The materiel readiness of our forces was also critical. Shortages of spare and repair parts restricted operations and training. Across the entire range of military investment, the rate of modernization was too slow. Moreover, even the less than adequate levels of procurement proposed were underfunded. Through the unwillingness of previous administrations, both Republican and Democratic, to apply proper estimates to the budgets, the entire defense program was wracked by inflation.

Overall, our capabilities in 1980 were insufficient to meet our minimum peacetime requirements in the foreign policy crises of that period. More importantly, we had not laid a sufficient founda-

tion for the improvements necessary to meet a more technically capable threat in the context of an increasingly unstable global environment.

Let us now look at the return on investment that we have realized during the last 2 years. Since 1980 the number of units reporting themselves fully or substantially combat ready has increased by 30 percent. Personnel retention is still a serious long-term problem, but previous trends have been reversed. In 1982, nearly 70 percent of all eligible personnel chose to reenlist, compared to only 55 percent 2 years earlier. Except for specialized areas, this problem is no longer critical.

Materiel readiness has somewhat improved and further improvements are in sight as the spare part investments of fiscal year 1981 and 1982 reach the flight lines and the storage bins. The pace of modernization has increased, but not as much as desired. Inefficient rates of production can still be found in the modernization of tactical air and ground forces. In order to maintain the current inventory of tactical aircraft at an acceptable average age, we need to procure 603 aircraft every year. The fiscal year 1984 request contains only 449.

MILITARY CAPABILITIES STILL SHORT OF REQUIREMENTS

Overall, our military capabilities are still short of requirements. However, in gross terms, improvements in capability will be achieved sooner than previously estimated. We in Congress should feel good about these improvements. In most areas, the trends are clearly positive. However, we cannot make up for over 10 years of neglect in just two budget cycles. It is important to keep in mind the cumulative size of Soviet military investments built up over years.

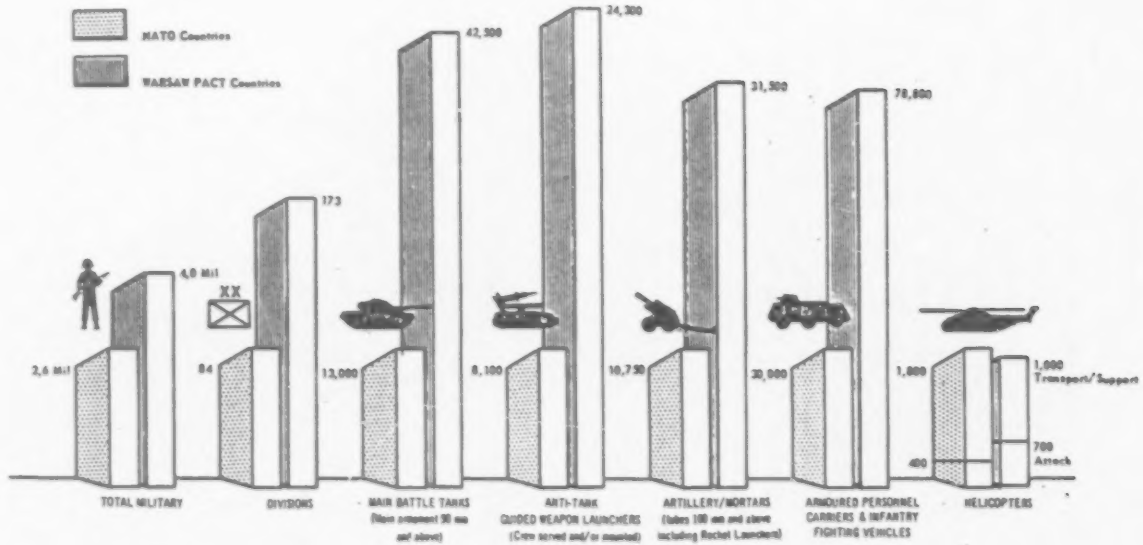
As indicated in the net assessment briefing we received last week, the gap between the military capital stock of the United States and the Soviet Union, which is already considerable, will continue to widen in the Soviet's favor even if the President's 5-year plan is fully funded. During the course of the President's current procurement plan, which is much maligned in Congress for being too ambitious, the Soviets will out produce us over 2 to 1 in tanks, 3 to 1 in armored vehicles, 8 to 1 in artillery and rocket launchers, 2 to 1 in tactical combat aircraft, 3 to 1 in major warships and submarines, and 2 to 1 in theater nuclear delivery systems.

It is this level of disparity which is in large measure responsible for unfavorable regional balances, such as that depicted for Europe in figure 2. In the total scheme of our geographic disadvantages, our social preference for domestic programs, Soviet production rates, serious regional military imbalances, and a very dynamic technological environment, I cannot stress enough the importance of maintaining our current modernization program.

FIGURE 2

NATO-WARSAW PACT FORCE COMPARISON

(IN PLACE IN EUROPE)



NOTES: 1. WARSAW PACT DIVISIONS NORMALLY CONSIST OF FEWER PERSONNEL THAN MANY NATO DIVISIONS BUT CONTAIN MORE TANKS AND ARTILLERY, THEREBY OBTAINING SIMILAR COMBAT POWER.

2. FORCES IN PLACE IN NATO EUROPE, WARSAW PACT FORCES AS FAR EAST AS BUT EXCLUDING THE 3 WESTERN MILITARY DISTRICTS IN WESTERN RUSSIA (MOSCOW, VOLGA & URAL MILITARY DISTRICTS).

Our adversaries are not standing still, and in fact, have achieved qualitative, not just quantitative, preeminence on the battlefield and in many areas. Thus, the Army's modernization program is not only a response to a quantitatively superior threat, but to a qualitatively superior threat as well.

Figure 3 indicates that by the end of this decade, the Army's introduction of new combat systems will reverse most of the qualitative system-on-system disadvantages we now face. The outcome of any future conflict may be subject to debate, but the Congress should have the confidence that in both new doctrine and new systems we are changing the character of the modern battlefield in ways that favor U.S. forces. Despite the complex engineering problems we constantly face in the development of high quality weapon systems, technology is still our strong suit, and we must exploit this advantage.

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FIGURE 3

U.S.–USSR GROUND COMBAT WEAPONS SYSTEMS QUALITATIVE COMPARISON 1983-1989

SYSTEM CATEGORY	RELATIVE ADVANTAGE		
	U.S	EQUAL	USSR
TANKS	▲	■	●
INFANTRY COMBAT VEHICLES		▲	● ■
ANTI-TANK GUIDED MISSILE SYSTEMS	▲		● ■
FIELD ARTILLERY CANNON	▲	● ■	
FIELD ARTILLERY ROCKET	▲		● ■
SURFACE-TO-SURFACE MISSILE SYSTEMS			● ■ ▲
AIR DEFENSE GUNS		▲	● ■
SURFACE-TO-AIR MISSILE SYSTEMS		▲	● ■
ATTACK HELICOPTERS	▲		● ■

● PREDOMINANT FORWARD DEPLOYED SYSTEMS (> 50% OF FIELDED SYSTEMS AS OF DECEMBER 1982).
■ CURRENT BEST SYSTEMS (IOC BEFORE 1 JANUARY 1983).
▲ FUTURE BEST SYSTEMS (IOC BEFORE END FY 89).

SOURCE: AMSAA, ARSTAFF

OUTSTANDING DEFENSE REQUIREMENTS

Let me turn to another issue of some concern in Congress: the absolute need for every program in the President's request. This committee has expressed it skepticism over Secretary Weinberger's vigorous defense of every $1 within his budget. We on the Armed Services Committee understand that skepticism. Every year the authorizing and appropriating committees make literally hundreds of changes to the budget, which result in net reductions from the administration's requests.

We will continue to do so. However, we must not confuse this microcosm of congressional oversight with the larger issues of paramount importance in the budget process. In my judgment, every dollar in the President's defense program can be used to fulfill validated military requirements. Consider the scope and magnitude of the unmet defense requirements we still face.

Figure 4 indicates that when the President's fiscal year 1983–87 5-year plan is finally delivered to the field, about 1991, and assuming that it is totally funded, the Army will have achieved the following levels of its inventory objectives: 59 percent for tanks, 79 percent for self-propelled Howitzers, 69 percent for light armored vehicles, 64 percent for personnel carriers and fighting vehicles, and 85 percent for 5- and 10-ton trucks.

FIGURE 4

SELECTED ARMY EQUIPMENT OBJECTIVES AND INVENTORIES

	Objective		Inventory (fiscal years)			
			On-Hand	Projected		
	Long range planning	End-fiscal year 1987 FDP[1]	End 1982	End 1982 FDP[1]	End 1983 FDP[1]	End 1984 FDP[1]
Tanks, 105mm	[2] 17,748	[2] 10,423	11,093	11,433	12,684	13,305
Self-propelled howitzers	4,188	3,315	2,978	3,249	3,249	3,361
Light armored vehicles	708	488	0	0	36	212
Carriers and fighting vehicles[3]	30,169	19,218	11,593	13,336	14,456	15,456
5-ton trucks	73,631	63,161	33,987	39,802	43,999	46,527
10-ton trucks	13,828	11,390	1,168	3,249	5,722	7,020

[1] Funded delivery period.
[2] Mixed tank fleet objective.
[3] Includes M113 and Bradley FVS (M–2 and M–3).

Source: DOD Force Readiness Report for fiscal year 1984, Vol. 1.

In the area of combat sustainability, figure 5 shows that by about 1989 we will have on hand less than 80 percent of war reserve requirements for ammunition, only 70 percent of the requirement for tactical missiles, a full 96 percent of needed secondary items, but only 61 percent of the requirement for petroleum derivatives.

FIGURE 5

PERCENTAGE OF COMBAT SUSTAINABILITY REQUIREMENT ON-HAND AT END—FDP [1]

Item	Fiscal year—	
	1983 FDP [1] (percent)	1987 FDP [1] (percent)
Ammunition	40	79
Tactical missiles	39	70
Secondary items	42	96
All POL	59	61

[1] Funded delivery period.

Source: OSAD(MRC&L), OSD (PA&E).

The acquisition cost of combat sustainability for all components in these high consumption areas is estimated at $1 billion for each additional day of supply. The cost for major equipment reserves is of course much higher. In 1980 the Army's war reserve inventory for equipment was below 10 days of supply; by the end of 1984, it will be over 20 days. This clearly represents progress, but we are not yet approaching acceptable levels of staying power. Yes, there are places where defense can use every dollar it can get to meet long standing deficiencies. But another factor of legitimate concern is the state of our economy.

ECONOMIC CONSIDERATIONS

It is apparent that many of our colleagues will make their decisions concerning the appropriate level for defense spending based on considerations other than those of national security. In the last few years, it has even become popular in certain quarters to equate reduced defense spending with increased economic health. Let's look at the facts.

Under the administration's plan, defense spending will increase to about 31 percent of the total Federal unifed budget outlays in 1988. This 31 percent share was exceeded each peacetime year from 1954 to 1972. During this period, both unemployment and the prime interest rate averaged about 5 percent. Between 1979 and 1983, defense spending has averaged only 25 percent of Federal outlays while unemployment averaged 8.1 percent and the prime rate 14.4.

In trying to find the cause of high unemployment, high interest rates, and economic stagnation, defense is not the place to look.

ECONOMY CAN SUPPORT DEFENSE BUILDUP

In her testimony before the House Armed Services Committee, Alice Rivlin, the Director of the Congressional Budget Office concluded that:

> The Congress must ultimately determine the need for defense spending by weighing alternative uses of resources against the threats to U.S. national interests and resulting defense requirements. Clearly, the U.S. economy can support the defense buildup proposed by the administration.
>
> Moreover, the economy can sustain the defense buildup with little risk of rekindling inflation, at least in the next few years, with no overall adverse effects on employment.

The only caveat offered by Mrs. Rivlin in this and other testimony has been the warning that growing Federal deficits could slow economic growth and rekindle inflation. The administration has heeded this warning by proposing a budget which, if approved, would cut the deficit, both in real terms and as a percentage of GNP, to less than half of the CBO baseline projection in 1988.

However, the administration's budget has one major flaw, its overly pessimistic economic forecast. The most recent information available shows the leading economic indicators in January up 3.6 percent, the largest increase in 33 years. Durable goods, housing starts, automobile production all are up.

I am not here to argue for a particular set of economic assumptions, but it seems apparent that the economy will recover more strongly and deficits will probably be smaller than previously projected. To those members who last December and January publicly committed themselves to make significant reductions in defense based on the most pessimistic economic forecast, I ask you to reconsider your position.

In my view, the Budget Committee should not be basing its markup materials on anything but the most recent economic forecasts. In addition to the macroeconomic factors which may influence members' views on defense spending, there is a microeconomic view. In anticipation of the defense cuts called for by so many members, I recently sent a letter to each Senator asking that he or she provide me a list of those programs in his or her State that could be reduced without an adverse impact on national security.

To date, I have received only six responses.

Chairman DOMENICI. Mr. Chairman, I would like to point out to you, I do not believe I ever received such a letter.

Senator TOWER. Well, in that case, I will say your staff short-stopped it, Senator, because we did not want to neglect anyone in the process of inquiring for these letters. We will hold the record open for your response, and I will provide you with a copy of that letter.

Chairman DOMENICI. I will respond.

Senator TOWER. To date, I have received responses from only six Senators. Those recommendations would amount to reductions in their States totaling less than $200 million in fiscal 1984 and only $1 billion over the next 5 years.

Now, wittingly or unwittingly, by opting not to respond to my letter my colleagues have sent all of us a message: First, that there is more congressional support for defense than has been reported in the media; second, once we put the political rhetoric aside, the vast majority of my colleagues recognize that defense spending provides a tangible economic benefit to their States.

Put more succinctly, reductions in defense spending places at risk jobs for constituents in their States in a time of high unemployment. And of course they obviously do not subscribe to the assertion of a few that it is higher defense spending that will impede economic recovery. I might note that some of the jobs that would be jeopardized in the process of defense reductions would be jobs in what are already distressed industries.

ARBITRARY REAL GROWTH PATTERNS

It is obvious, Mr. Chairman, that economic considerations are driving members of this committee to simplistic and rather arbitrary solutions to a formidable national security problem.

In his March 1 letter to the Budget Committee, Secretary Weinberger has already indicated the fundamental problems associated with arbitrary and fixed percentages of real growth. I would only highlight some additional points which reinforce his conclusion. Some have suggested that 5 percent real growth for defense would be a more appropriate level of effort. CBO has estimated this would amount to a reduction in budget authority of $129 billion over the next 5 years. This is a considerable sum of money. In fact, $129 billion is the equivalent size of 1½ fiscal year 1984 procurement budget: More than 1,000 tanks, more than 600 tactical aircraft, and about 24 warships.

Over a 5-year period, the reductions each year may appear to be small to some, but they can represent real combat capabilities. A more honest approach might suggest that we find less expensive substitutes for major systems. But in this case, military capabilities are sacrificed and savings quickly disappear.

As figure 6 shows, if the Army's "Big Five" (M-1, M-2, and M-3, DIVAD, Patriot, AH-64) were eliminated in fiscal year 1984, the savings would amount to nearly $6 billion in budget authority. But if they were replaced by current substitutes, the net savings would be less than half that amount.

FIGURE 6

Comparative fiscal year 1984 costs of selected army programs and potential substitutes

[In millions of dollars]

System	*Budget authority*
M-1	$1,722
M-60A3 [1]	1,331
Difference	391
M-2/M-3	815
M-113	116
Difference	699
DIVAD	671
PIVADS [1]	148
Difference	523
Patriot	1,212
Hawk [1]	906
Difference	306
AH-64	1,298
AH-1	615
Difference	683
TOTAL:	
New systems	5,718
Substitutes	3,116
Difference	2,602

[1] Systems out of production.

Of course, I should also note that the newer systems are generally easier to maintain, safer, and require less manpower to operate. In addition, the Army's air-land battle doctrine, of such special interest to many within the so-called reform movement cannot be fully implemented unless supported by these new systems.

SPINNEY REPORT ON REDUCTIONS IN DEFENSE

Finally, Mr. Chairman, I would like to clear the record concerning the joint hearing held by the Budget and Armed Services Committees on cost growth and defense programs. Much has been written about the role of Mr. Spinney's work in the so-called military reform movement. Unfortunately, a false connection has been made between Mr. Spinney's analysis and calls for reductions in defense.

Many have misinterpreted some significant conclusions contained in Mr. Spinney's testimony. Clearly, the authors of the recent Time magazine article missed the mark. I might say that that article was a mass of misinformation on defense issues, and I hope that nobody draws his understanding or knowledge or facts of defense from that article. It was charged with half-truths and some assertions were absolutely false.

Unfortunately, I do not have the time today to challenge the many erroneous assertions reflected in that article, particularly the sophistication versus simplicity arguments. At least, however, let me summarize for you what Mr. Spinney said in his testimony before the Armed Services and Budget Committees 10 days ago.

The hearing record indicates that it was Mr. Spinney's view that: Defense needs more dollars; it is desirable to have a stable production environment; increased production rates can be expected to drive down costs; program stretchouts cause costs to go up; and reducing the defense budget would not cure cost growth problems, it would make things worse.

It is significant that these conclusions are similar to those of the service Secretaries and the military Chiefs of Staff concerning the potential impact of significant reductions in the defense program.

Several members of the Budget Committee, including you, Mr. Chairman, indicated that the Spinney report made a convincing case for the adverse effect that reductions in defense spending, particularly in the procurement accounts, would have on the cost of modernizing our forces.

Chairman DOMENICI. Mr. Chairman, let me just stop you for a moment. While you addressed yourself to Time magazine's summation and the Spinney analysis, I think you would agree that the way the Defense Department handled Mr. Spinney reflects a massive misunderstanding of Congress. I do not think that kind of testimony should have been so protected. I think the assumption is that nobody up here would understand it.

I think you would agree with me that while it was very lengthy, it was worthwhile to hear, and had that been out in public, there probably would not have been the Time magazine interest that was exhibited in their final article.

Do you have any observations on that?

Senator TOWER. Mr. Chairman, I certainly am not going to sit here and defend the Defense Department's handling of the matter. It was not too smooth, when you get right down to it.

But the fact is that a lot of things that Mr. Chu said were ignored. Based on recent SAR's, many of these cost overruns have leveled off dramatically. And that point sort of escaped everybody and the focus was on Mr. Spinney's visitation of the sins of the past.

SUMMARY

In summary, Mr. Chairman, in the 1970's our reason for not funding the required level for defense was a mood of antimilitarism. In 1983 the reason given by some is that we simply cannot afford it; irrespective of the reason given in the 1970's or the reasons given today, the result is the same.

While we slow down, the Soviets continue to expand, which in turn skews the military balance even further toward the Soviets. In key regions of the world where the United States has vital interests, our political-military situation is eroding. The demands on our foreign policy and national security establishments are increasing. Continued long-term political competition with the Soviet Union is a virtual certainty.

Military conflict with either the Soviet Union or its proxies cannot be ruled out. At less than 7 percent of GNP and only 26 percent of Federal outlays, the United States can afford this defense program. I would even say that, in fact, we cannot afford not to fund this program.

We have made important progress in defense during the past 2 years. We must not falter. We must not weaken or tire. At his own momentary political peril, the President has chosen a prudent course for the rebuilding of our Nation's defense, and I stand with him.

There is no national security justification for doing less than he has asked.

Thank you, Mr. Chairman. I am prepared to respond to questions.

Chairman DOMENICI. Thank you very much, Senator Tower. Senator Hatch.

Senator HATCH. Rather than read my statement I ask that it be inserted in the record and I shall proceed with my questions.

PREPARED STATEMENT OF SENATOR HATCH

Mr. Chairman, I am pleased to see Senator Tower here to testify before the committee. As a member of the Budget Committee and as the chairman of the Senate Armed Services Committee he is in a unique position with regard to our Nation's defense budget.

Last year when Senator Tower testified I indicated that the budget process was "at an important crossroads" and must begin to function if it is to survive. The same statement holds true today. Once again the defense budget is the center piece of the Federal budget and as a result is under attack by the critics of the administration.

Defense spending is an easy target for anyone who wants to talk about the "humanistic" needs of our Nation. Over and over again we hear the complaints that we are in an arms race and are abandoning our priorities at home. Nothing could be further from the truth. As a nation we are forced to provide for the defense of all

our citizens. In addition, as the leader of the Western free world, this Nation must assume an additional burden in maintaining the freedoms we enjoy.

Yesterday the elections in West Germany were held. One of the major issues in that election centered on Germany's participation in NATO and the Alliance's decision to modernize its military force. The Soviet Union had blatantly tried to use all manner of pressure to influence the outcome of the voting. Well, the voters spoke. Helmet Kohl was reelected and his policy of support for NATO was firmly backed.

This now moves the ball to our court. We must now demonstrate our commitment to peace and freedom. The defense budget submitted to the Congress by President Reagan is aimed at rebuilding the commitment. As a committee, we should examine it closely; but we should not get caught up in the rush to slash defense spending purely for cutting sake.

Last week a letter was sent to Senator Domenici, the chairman of the Budget Committee, from former Secretary of State, Cyrus Vance, former National Security Adviser, McGeorge Bundy, former CNO Adm. Elmo Zumwalt and former Secretary of Defense Robert McNamara. They pointed out some $176 billion which they feel can be cut from the defense budget over the next 5 years. Unhappily, I have to say they are wrong. The programs they suggest cutting; the MX missile; the Ballistic Missile Defense System; the aircraft carriers, the B-1 bomber; the AWACS; and the M-1 tank and its sister M-2 fighting vehicle are all essential ingredients in meeting the Soviet threat. I hope the chairman and the members of the committee will see through this political charade.

In summary, there are some areas where the defense budget can be cut. I'm looking for them just as Senator Tower and others are looking. Let's be careful though, too often in our zeal to cut fat we end up cutting needed muscle.

Again, I welcome Senator Tower's remarks and look forward to them.

STATE OF MILITARY

Senator HATCH. Senator Tower, one of the things that is concerning me is that I am not sure that the facts are really being laid out to the American people as to what the real state of our military is.

As I understand, back in 1962, 20 years ago, we were spending about 48 or 49 percent of the Federal budget on the military.

Senator TOWER. It was about 45 at that time.

Senator HATCH. When President Reagan became President it was a little less than 24 percent. Am I right about that?

Senator TOWER. About 23 percent.

Senator HATCH. Can you put that into a percentage of the gross national product of 20 years?

Senator TOWER. The GNP percentage when Reagan came to office, I believe, was around 5 percent, 4.9, I think.

Senator HATCH. What was it back in 1962?

Senator TOWER. In the early sixties, it was around 43 to 45 percent of the budget, and about 9.5 percent GNP.

Senator HATCH. I see. As I understand it, the military had grown in real terms over the last 20 years about 20 percent.

Senator TOWER. Over the last 20 years?

Senator HATCH. In real terms. In real dollar terms.

Senator TOWER. In real terms, in 20 years that may be so. In the decade of the seventies, it actually declined in real terms by about 9 percent.

Senator HATCH. I also understand that this is in extreme contrast to payments to individuals or entitlements, over the last 20 years. They have gone up almost 400 percent. Are you aware of that?

Senator TOWER. That may be a good figure.

Senator HATCH. I understand also that we had a 1,000-ship Navy just 10 years ago.

Senator TOWER. Right. And the current 5-year plan calls for a 600-ship Navy.

Senator HATCH. That is only if President Reagan gets all that he wants.

Senator TOWER. That is if we fund everything.

Senator HATCH. And that will not be accomplished until the year 2000.

Senator TOWER. Our current objective is to achieve a 600-ship Navy by 1990. That is based on our current international commitments. The Navy is what you use to respond to a crisis, where that crisis requires a military presence for one reason or another. It is a manifestation of our determination to deal with the issue.

DIFFERENCE BETWEEN CARTER AND REAGAN 1984 DEFENSE BUDGETS

Senator HATCH. I have been watching this defense debate, and it seems to me that President Reagan is not being compared with President Carter very accurately. I do not know many people who, if you ask them as an audience, which I have done all over the country, feel that President Carter was a strong supporter of the military. I do not know many people who would raise their hands. In fact, in various groups across the country, not many do. But, if you ask if President Reagan is a strong supporter of the military, virtually every hand goes up. What is the difference between the 1984 proposed Carter defense budget, had he been reelected President, and the 1984 Reagan defense budget?

Senator TOWER. The Reagan budget is higher, but not so much higher if you recalculate what President Carter proposed along the lines of more realistic funding profiles. We will provide that for you for the record.[1]

Senator HATCH. My understanding is that it is less than 2 percent higher, really around 1 percent higher. It is actually less if you recalculate. Well, they are virtually the same, which is what most analysts tell me.

Senator TOWER. It is really something of an acceleration of what President Carter recommended.

Chairman DOMENICI. I did not hear that. What was your question, Senator Hatch?

Senator HATCH. My question was: What was the difference—what is the difference between the Carter 1984 defense budget and the proposed 1984 Reagan defense budget?

Senator TOWER. It in effect represents an acceleration by 1 year of what was proposed by President Carter, getting there sooner.

Senator HATCH. I see.

Senator TOWER. And, too, I believe that our funding profiles are more realistic than they were in the Carter administration.

Senator HATCH. These are important facts, I think. Senator, I am concerned about what you say—that if President Reagan gets all that he wants, by 1987 it will be 31 percent of the Federal budget versus the 45 percent of 20 years ago. I think it will be closer to 39 percent.

Senator TOWER. It will peak at 31 percent of Federal outlays in fiscal year 1988.

Senator HATCH. 31 percent. In other words, that would be something like 14 percent less than what the defense budget was 20 years ago.

Senator TOWER. That is right.

DEFENSE UNDERFUNDED IN THE SEVENTIES

Senator HATCH. So you are saying that in real terms the defense budget may have increased over the last 20 years, but over the last 10 years it has actually gone down in real terms.

Senator TOWER. Yes. The decade of the seventies, the defense spending in real terms actually decreased. At the present time when we are trying to pressure our European friends into doing more, we should recall that their defense spending went up in real terms during the seventies; ours actually went down.

And we are paying for that neglect. If we had taken the last projection of the Ford administration of what our requirements had been, and fully funded that amount, we would not be here asking you for this substantial increase in real terms now.

I am simply pleading for us not to do is to repeat the mistake of underfunding defense in the way we did in the seventies. We pushed this bow-wave of modernization ahead of us. And that is why we find ourselves in the shape that we are in now.

Senator HATCH. Even if we do, defense spending still will be a much lesser percentage of gross national product or of the budget.

Senator TOWER. It is a much smaller percent of gross national product and budget than it was 20 years ago.

Senator HATCH. So the military is not growing by leaps and bounds vis-a-vis the social spending.

Senator TOWER. Correct. In terms of size, of course, it has actually shrunk some over the years.

SECURITY ASSISTANCE CUTS PLACE BURDEN ON OUR ARMED FORCES

Senator HATCH. Senator, I am concerned about how security assistance to other nations relates to our own defense needs. Do, in fact, cuts in security assistance place an even greater burden on our own Armed Forces?

Senator TOWER. These reductions do place a burden on our own Armed Forces because what American policy has said to these people is that we all face a great mutual threat, and that threat is the Soviet Union or its surrogates. And having laid that down as policy—and that is not just Republican policy; that is a policy of both Republican and Democratic administrations since the forties.

And having done that, then we should be prepared to assist them in developing an indigenous capability to meet that threat or if it is an area of vital interest to the United States, we have to be prepared to face the threat ourselves militarily.

Let's just take Tunisia, for example; Tunisia is threatened by Colonel Qaddafi. He has already made a military incursion into Tunisia about 2 or 3 years ago.

All Tunisia wants is a few M-60 tanks and a few F-5's and C-130's. If we are not forthcoming, how long can we expect these

people to consider us reliable allies if we fail to provide them with assistance with a threat that we ourselves have acknowledged.

Senator HATCH. More specifically, could you explain the relation between the Rapid Deployment Force or RDF which requires facilities and access in the Indian Ocean and the Middle East and the levels of security assistance the President has requested.

I understand that there is a close relation, and if so, would not these cuts undermine our own efforts in this area?

Senator TOWER. Yes. I think cuts in security assistance would definitely undermine our efforts. And again, if we are called on to defend a vital interest there, you have to count on more American blood and treasure being put at risk in the process, if we do not build these indigenous forces.

MILITARY PAY FREEZE

Senator HATCH. Senator, I believe that readiness is an important component of our military strength. Do you believe that a pay freeze for our military will diminish our ability to attract and retain capable people—an important component of readiness—for our military?

Senator TOWER. I am a little skeptical at the administration's suggestion that we will pick up the pay raise next year because we will be operating under budgetary pressures then as well. So I would like to continue this momentum that we have.

UNDERFUNDING DEFENSE DESTROYS NEGOTIATING LEVERAGE

Senator HATCH. Just one last thing: As I understand it, having a strong military is absolutely crucial to having effective arms control negotiations. I have been to the Start negotiations, the INF negotiations, the MBFR, the Commission on Security and Cooperation in Europe, et cetera. Do you share my viewpoint that without a strong military and a continual strengthening of our military, we are unlikely to have effective arms control negotiation outcome.

Senator TOWER. Senator, you have hit on one of the most critical reasons why we cannot underfund defense at this time: It destroys our negotiating leverage in Geneva and Vienna. It undermines our efforts to achieve strategic arms reduction, our efforts to achieve reductions in theater nuclear forces, and our efforts to achieve mutually balanced force reductions on the central front.

I wish that Paul Nitze and Ed Rowny were sitting here at the table with me now because they could articulate in very dramatic terms the need for sustaining this effort that we have now.

Senator HATCH. But we just had a new election in Germany, an election that supports the people who really are supporting the zero-zero option or in its alternative, the deployment of the Pershing 2 and Cruise missiles.

Senator TOWER. I think it is very significant that you got that kind of outcome in Western Germany, in the face of an enormously effective propaganda campaign—some of which was shamelessly manipulated by the Soviet Union.

PROJECTIONS AS PERCENT OF GNP

Chairman DOMENICI. Thank you very much. Let me say to Senator Tower and my two colleagues, I have to leave at 11:00 for another meeting. Senator Hatch has agreed to preside, giving ample opportunity for you all to ask questions. Senator Tower, I apologize for having to leave, but I have a meeting scheduled that I have had for a long time. And I must make it. So I will not ask very many questions, Senator.

I would just make a couple of observations. I do not know that you would necessarily agree that they are very relevant, and I understand your position in this whole matter very well. But let me proceed, since we are discussing percentages—GNP, et cetera, I want to give you just a couple of interesting comparisons.

If we go back to the original Reagan budget request for fiscal year 1982, the President envisioned that the defense budget as a percent of GNP, would be 7.4 percent in fiscal year 1984, 7.6 percent in fiscal year 1985, and 7.8 percent in fiscal year 1986.

For comparison purposes, the CBO baseline, which I might add is lower than the President's request, contains defense levels that is 8 percent of GNP in fiscal year 1984—0.6 percent higher than the original Reagan request.

In fiscal year 1985, the spread gets a little bigger. The President's request was 7.6 percent, the CBO baseline is 8.5 percent. In fiscal year 1986, the request of the President, was 7.8 percent. The CBO baseline is at 8.4 percent. The current request envisions defense as 8.8 percent of GNP in fiscal year 1986, almost a full percentage point higher than the original request.

I only give you that because you made a couple of very interesting observations: one, perhaps the economic models are too low for 1983, 1984, and 1985. That would change these numbers, but the entire budget process and fiscal policy of the country is being hit very hard by the reality that even by 1988, the gross national product as a base will be significantly less than that originally projected in 1981 when the President came in.

As a matter of fact, an estimate of this GNP shortfall is $1.6 billion. I would also suggest that an awful lot is being said about President Carter and his budget. Was it a hawk budget or a dove budget? What kind of real growth did it really envision?

Let me suggest that every number that I have seen that attempts to compare a current budget with the last Carter budget is really comparing apples with oranges because you must adjust the Carter budget to reflect the high rates of inflation contained in its assumptions. If the Carter budget is adjusted for current inflation, it is dramatically changed. A 5 percent real growth budget or the CBO baseline are significantly higher than the last Carter budget adjusted for inflation.

Now, that does not mean anything in terms of your general concern; I think, though, that real inflation versus the expectation of inflation is relevant, and I do think fiscal policy is somewhat restrained by the fact that we do not have as big a pie, that is, total GNP, in the years 1985, 1986, and 1987, as was originally contemplated.

That again does not mean that you do not decide on the basis of needs. It merely points up why the pressure is on in terms of the GNP available versus what was expected. I would be very glad to furnish you all with those percentages in the event you do not have them. I think they are very relevant to why we are going through what we are going through. Actually, we are almost keeping the same GNP percentage, almost the same as envisioned in the original Reagan budget when we expected a much more vibrant 5-year economy, starting in 1980. We are now adjusting to the lower growth of the economy and to the lower inflation.

PERCENTAGE OF DEFENSE DOWN FROM ORIGINAL PROJECTIONS

Senator TOWER. Mr. Chairman, let me first say that this kind of exercise we are going through now is not an exercise they are going through in the Kremlin. They are imposing enormous privation and hardship on their people; a considerably greater percentage of GNP, not to develop a force just to defend themselves, but to develop an offensive capability and a global power projection capability.

That is the sacrifice they are willing to make to spread their influence over the globe. The question is are we willing to make a much smaller sacrifice in a much more affluent society just to defend ourselves and our vital interests abroad.

Now, in fact, the percentage of defense in the budget has gone down from original projections; it was 29 percent in 1983 and 37 percent in 1987. That has been revised to 25 percent and 31 percent in budgetary considerations. As far as GNP is concerned, if you stay below 10 percent of GNP in an economy with the fundamental strength of ours, you are not going to do anything really substantial to damage the economy or provide a lower standard of living for your people. Now, if we do not feel it is worth the cost, then we better adjust ourselves perhaps to a somewhat lower standard of living in the future.

What would be the impact on GNP, for example, if we got thrown out of the oil fields in Southwestern Asia? Has anybody calculated what would happen to us economically as a result of a reduced American presence throughout the world, a presence in areas where we have vital interests in natural resources beyond energy?

There are other natural resources as well. We will provide for you a list of all the strategic materials the United States has depended on for which we are totally dependent on external sources. We have to think in terms of what the long range impact on our economy is of a reduction in American presence and a concomitant reduction in American influence in the world.

We are an island nation now, Mr. Chairman. We are no longer self-sufficient to the extent we were even in World War II.

[The following was subsequently received for the record:]

The following summary of U.S. dependency on foreign sources for strategic minerals was provided for the record:

The U.S. is more than 50 percent dependent on foreign sources for over half of the approximately 40 minerals which have been described as most essential to our $2.3 trillion dollar economy (Figures 1 & 2). Many of these essential minerals come exclusively from foreign sources and some of the most critical of them from highly unstable areas of the world.

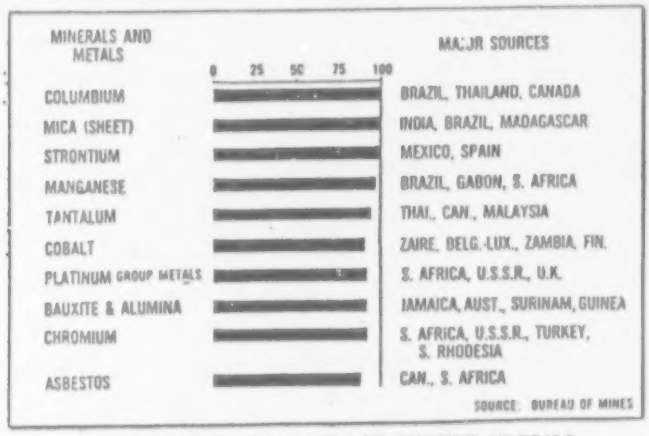

FIGURE 1. U.S. NET IMPORT OF SELECTED MINERALS AND METALS (% CONSUMPTION, 1979)

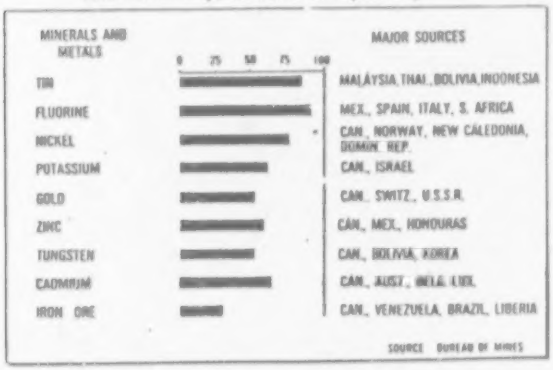

FIGURE 2. U.S. NET IMPORT OF SELECTED MINERALS AND METALS (% CONSUMPTION, 1979)

Much of the world's production and reserves of a number of our critical materials are located in two areas of the world: Siberia and southern Africa. These two areas contain 99 percent of the world's reserves of platinum group metals; 80 percent of the world's manganese ore; 97 percent of the world's vanadium; 96 percent of the world's chrome; 87 percent of the world's diamonds; 60 percent of the world's vermiculite; and 50 percent of the world's fluorspar, iron ore, asbestos, and uranium. Zaire and Zambia now provide 65 percent of the world's cobalt.

Our alarming dependence on imports of critical industrial raw materials from the Soviet Union or potential unstable southern African sources creates a potentially dangerous flaw in our nation's defense preparedness posture. The price and availability of vital materials such as cobalt, chromium, and manganese are almost completely dependent on geopolitical events in southern Africa. The adoption of Marxist regimes by five African countries south of the Sahara has contributed to the political instability in this region and the likelihood of future supply disruptions. Only a few more nations would have to fall under Soviet influence for the elements of a "supercartel" to coalesce. Control of these primary sources of strategic mineral reserves means the power to gain political and economic concessions through the manipulation of supplies to consumer countries (Figure 3).

FIGURE 3. THE PERSIAN GULF OF MINERALS

The danger of the situations just described is made chillingly clear by a comment made by Leonid Breshnev to Siad Barre, President of Somalia, in Prague in 1973:

> "Our aim is to gain control of the two great treasure houses on which the West depends: The energy treasure house of the Persian Gulf and the mineral treasure house of Central and Southern Africa."

Most of these minerals have critical defense uses and all are absolutely necessary for an industrialized economy. Figure 4 shows how much modern jet engine design and manufacturing depends on minerals which must be imported.

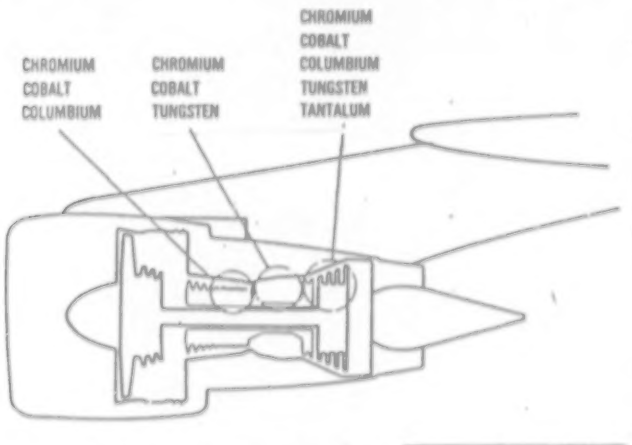

FIGURE 4. STRATEGIC METALS IN JET ENGINES

There is no substitute for chromium bearing stainless steels in applications such as jet engines that demand high strength and good corrosion resistance properties at high temperatures. We are 90 percent import dependent for chromium and it must come from Zimbabwe and South Africa, which combined, have 95 percent of the world's suppy of that mineral, or from the Soviet Union which exports considerable chromium to the U.S.

Cobalt supperalloys have many absolutely essential uses in jet engines and in a wide variety of industrial applications such as mining tools, machining tool bits, permanent magnets, and as a catalyst for chemical plants. We are 90 percent import dependent for cobalt; most of it comes from Zaire.

Manganese and vanadium are required for specialty steels used extensively in many vital industrial and aerospace applications. Without manganese, we have no significant steel industry. We are 98 percent import dependent for our manganese needs and, once again, most of the world's supply is in southern Africa.

Platinum group metals have become indispensable to modern industry because of their extraordinary physical and chemical properties. We are 89 percent import dependent for platinum group minerals. Southern Africa and the USSR control essentially all of the world's platinum.

We are 100 percent import dependent for columbium, strontium, mica sheet, and industrial diamonds and 96 percent import dependent for tantalum.

All of these minerals are essential to the defense industry, to our economic health, and our security.

SOURCE: Excerpts from the statement of General Alton Slay, Commander, Air Force Systems Command, Before the Industrial Preparedness Panel, House Armed Services Committee, November 1980.

Chairman DOMENICI. Senator Metzenbaum.

Senator METZENBAUM. Senator Tower, I have been trying to learn more about why all these defense dollars—you know, I came over to hear Secretary Lehman the other day; I came here to hear you today. And I must confess a great sense of disappointment because really all I have heard is what a great job we are doing and we need every penny, rather than any what I would consider constructive approach to the responsibilities of this Budget Committee, of which you are a member, as to how we can deal with this problem that faces us.

And really I came out of listening and reading your statement feeling that I had heard a good pep talk, but that I really had not moved very far toward meeting my responsibilities as a Senator.

And then I heard you address yourself to the point of having sent a letter out to each of the members of the Senate asking for what I thought were their recommendations in connection with defense cuts. And then I found that really what you were saying is defense cuts in the individual Senator's States.

From the fact that you received six responses, only six, you concluded that there was more support in Congress for defense than has been reported in the media or that defense spending in the State means jobs for their constituents. Senator Tower, I have a lot of respect for you; I think the letter that you sent out had a kind of cupidity to it. I think it was cute, but I do not think it was responsible because I do not think that is the particular responsibility of a member of this Senate.

Now, having said that, let me address myself to what I do believe is the responsibility of members of the Senate. And I particularly address myself to you as the Chairman of the Armed Services Committee. I think that Cap the Knife who made his reputation at OMB and at HEW as being the great cutter has truly become Cap Pussycat as far as doing anything about defense spending.

SUGGESTED AREAS OF SAVINGS IN DOD

Now, my questions today will not have to do with any particular program or system, but rather the failure of the Department of Defense to operate in a business like manner. Over 2 years ago, Senator Goldwater and I wrote to Secretary Weinberger and said that we are convinced that the Department of Defense, whose budget will soon make up a third of all Federal spending, is in a position to effect major savings without in any way sacrificing military muscle. These savings can be made in two major areas: improved procurement practices, including greater use of multiyear contracts; and more effective administration.

We went on in this 8-page letter to point out how many different reports had been made by the GAO as to wasteful practices at the Department of Defense, and all of these reports indicate that better means of business can be utilized.

We went on to point out that there was such a little percentage of competitive bidding used. And we pointed out also that the cost overruns had made it possible for large defense contractors to come out and make a profit regardless of how they had—regardless of

how badly they operated and we had hoped maybe we could have some impact.

As a matter of fact, Senator Goldwater and I sued the Navy because the Navy refused to use competitive bidding in its procuring of CTX planes.

In March 1982, which was a little over a year after that, the GAO came out with a report. And what did they say about DOD and its competitive bidding practices? They said as follows: "In our opinion, DOD's presentation or and changes to its statistics could decrease the credibility of the statistics and even lead to a real decline in competition." And they go on to point out that the DOD did not even make the effort to achieve the objective, but instead had used considerable liberties taken in the presentation of competition in DOD procurement.

During testimony, said the GAO, three procurement categories classified by DOD as noncompetitive were presented as competitive. This shifted $9.5 billion from DOD's competitive—from its noncompetitive to its competitive procurement.

And then the GAO more recently, their report dated February 1983, rather significant; it particularly touches upon the testimony of the Secretary of the Navy Lehman. I heard Secretary of the Navy Lehman very proudly assert on 97 percent of all procurement for vessels was being done on the basis of competitive bidding.

And then I looked at this February 1983 report of the GAO and found that indeed each service arm had appointed—let me see, they call him a competition advocate. And I looked at the figures and they indicated that goals had been set. The Army had a goal of 35.8 percent, and the Air Force 35 percent, and the Navy 28.4. The DLA had a goal of 82.4 percent, far, far greater than any of the services.

Then I also looked to see what the Navy had done because Secretary of the Navy Lehman had told us what a great job he was doing. And I found that the Army and the Navy were up around 39 percent in 1980 and 1981, down in the first half of 1982 to 14.1 percent. I found that the Navy had a great record. They were consistently going down in the amount of competitive bidding that they had used in procurement; from 30.3 percent in 1980 to 25.9 percent in 1981 to 18.2 percent in 1982.

The Air Force, to its credit had gone up a bit, about twice the amount of the Navy.

Now, what bothers me is that you as the Chairman of the Armed Services Committee are probably the only person in this Congress who is in a position to force the services to do that which they are supposed to do by law because they are required to use competitive bidding. But they used 17 exemptions to sneak out of their responsibilities to the public and to save the taxpayers money.

My question is a simple one: What can we expect of the Armed Services Committee as far as pressuring the Department of Defense to do that which they are obligated to do by law and which they are not doing at the present time and which would indeed save billions of dollars for the Department of Defense without in any way harming our military effectiveness.

CONGRESSIONAL PORK IN EVERY MILITARY BUDGET

Senator TOWER. Let me comment on what the Senator has said. And I am not reluctant to confess a certain amount of cupidity in the letter that I sent out. But in fact, as chairman of the Armed Services Committee, I receive numerous communications from some of my colleagues that advocate overall cuts in defense, who will want me to save some program in their respective districts.

And I think we had better be frank, Senator, and that is there is congressional pork in every military budget. And I am hopeful that we can get at that problem. In other words, a lot of the things that we complain about that DOD is doing are things that we have required them to do.

COST GROWTH PROBLEM SHOWS IMPROVEMENT

If you believe Mr. Spinney, you do not solve the cost growth problem by reducing defense spending; you exacerbate it because you cannot put the front end capital investment up that ultimately over the long pull is going to enable you to bring these costs down.

I would take issue with the assertion that the administration has done nothing. As a matter of fact, Mr. Lehman's testimony he had some pretty pungent things to say about fixed price contracts, and about sole-sourcing. It is clearly a problem he is trying to get at. I think the whole department is.

If you look at the selected acquisition report, the cost growth for each of the services from December 1981 to December 1982 were as follows: Army increased 0.3 percent. That is a dramatic reduction over previous increases. The Navy decreased 4 percent. The Air Force decreased 0.6 percent. Now, that is the latest SAR, which shows you that we are beginning to get a handle on the problem.

And I might make a further——

ACCURACY OF FIGURES QUESTIONED

Senator METZENBAUM. Senator Tower, I am not questioning that, but I will say this. I question the accuracy of their figures because we know that their figures have been inaccurate with respect to the amount of competitive bidding.

Senator TOWER. Well, Senator, I can assure you if there are inaccuracies, we will find them. We do not take lightly our responsibility for oversight on the Armed Services Committee, as some people seem to think. And you cited favorably Senator Barry Goldwater and his attitude. He is chairman of our Tactical Warfare Subcommittee and has been very vigorous in pursuing this business of cost overruns and cost growth. And we will maintain an ongoing oversight over this problem.

Let me note that the GAO reviews the SAR's. We will see what the GAO has to say about it, and of course we will not take lightly what the GAO does say about the SAR's.

STABILITY IN PROCUREMENT PROCESS NEEDED

Beyond that, if you are going to have competition, again referring to the Spinney report, you have to have some stability in the procurement process, or there will not be the competitors out there

to bid. Now, many potential and former defense contractors have concluded that the United States is a poor outfit to do business with as far as defense contracts are concerned because of the way we hit peaks and valleys of procurement. We readjust procurement figures year after year.

There is nobody more interested in getting the cost of defense down than those of us who advocate a strong national defense. We have the responsibility of convincing the American people that we are doing everything we can to make sure that they get the biggest bang for the buck. And that is our ultimate objective.

We are going to have to face some front end costs for capitalization and ramping up if we are to get the kind of production rates that we need, the kind of competition that we need to be able to keep these costs down. I would be delighted to see more competition in the process, and I think I can say that all members of the Armed Services Committee—and that ranges all the way across the political spectrum on the Armed Services Committee—want to do everything they can to get these costs down.

TWO APPROACHES TO COMPETITIVE BIDDING

Senator METZENBAUM. Mr. Chairman, I wonder if you would, on that subject—and I appreciate your comment and I appreciate your willingness to support the matter of more competitive bidding. I wonder whether two approaches would not be valuable. One is take a look at the 17 exemptions that presently exist and see whether some of them should not be eliminated, and second, to require that no arm of the military may have—make—procure any materiel or any other kind of product unless there was a signoff by a particular individual that had been designated by the Secretary of Defense so that it would not be done in such a pedestrian manner.

The figure presently used is 5.8 percent as far as competitive bidding. Now, that is just an absurdity. Nobody in business would accept that kind of figure. And they argue that it is 9 percent, but what difference does it make if it is 5.9 percent or——

Senator TOWER. Well, first you have to break out your percentages. The Department of Defense signs 13 million contracts each year, and I think you have to look at what we procure and percentages, not just in terms of number of contractors. You realize too that the Federal Government is mandated to go to small business setasides, minority business setasides, where we might have to acquire some things at a higher cost. So you have to consider what that impact is on a number of these programs. That is one reason for sole-source contracting.

Senator METZENBAUM. But even on the off-the-shelf items, every day we get another horror story, every week about them buying some off the shelf item for $82 when they could have gone to the neighborhood discount——

Senator TOWER. You are absolutely right. And that is the problem we are trying to get to the bottom of. A number of us have been complaining about that for years. It's clear that you have one hell of a bureaucracy over there in the Pentagon, too big a one, in my estimation. But I believe that this administration is doing everything it can to get a handle on this bureaucracy.

Incidentally, a lot of civil servants can with impugnity refuse to implement policy laid down by the top leadership of a department and still keep their jobs. So you have to understand how that system works over there. And we in the Congress have a lot to do to get at that.

Now, I agree with the value of competition. And that is why the Senate Armed Services Committee under Senators Levin and Cohen took the leadership in this. We proposed a provision requiring 30-day notification prior to DOD awarding sole-source contracts over $100,000. And DOD has to submit a report to us each year on this. Incidentally, that is a policy that we defended very vigorously in conference with the House.

CARLUCCI INITIATIVES NOT IMPLEMENTED

Senator METZENBAUM. Senator Tower, there was a big huzzah, excitement when Frank Carlucci came up with his 32 initiatives. He really had 31 originally and then I prodded him about the fact that he had not included competitive bidding in his list and he included competitive bidding.

But there was a lot of excitement that this was really going to move the DOD forward. But according to the Armed Forces Journal of February 1983, the—those 32 initiatives have not as yet been implemented.

And I read: "One important element of this plan to reform the defense acquisition process has language since October 20 awaiting final coordination from the Navy." How can anybody explain refusal of the Navy to put these initiatives into effect for over a 2-year period?

Senator TOWER. About all I can say to you on that is that in every instance where this has happened, we will hold them accountable in tbe Armed Services Committee. But again, the bottom line is simply this: you are not going to achieve the competition or the second source that we all think is desirable if you reduce the defense budget. That is the bottom line. Mr. Spinney testified to that effect.

Senator HATCH. Senator Metzenbaum, you have had almost a little bit better than 15 minutes. I wonder if——

Senator METZENBAUM. I think it is fair that I yield the floor.

Senator HATCH. We will get back to you.

Let us go to Senator Grassley.

COMPETITIVE BIDDING ON LARGER PERCENTAGE OF CONTRACTS

Senator GRASSLEY. Thank you Senator Hatch.

I did not have a chance to hear your testimony, Senator Tower, but obviously one of the parts of it dealing with your comments on Mr. Spinney are fresh in my mind, and I would like to direct some of my questions toward that. But before I do that, I would like to ask a followup on what Senator Metzenbaum said. Is there going to be—is there some goal setting within the Defense Department or within your committee for having a larger percentage of contracts that are competitively bid?

In other words, are we going to let a little bit of capitalism creep into a greater share of the system for contracting than we had before?

Senator TOWER. Well, of course, ideally, if you could second source everything and get a lower price, that would be your objective. I do not think we can set an arbitrary figure and say this is a desirable percentage.

We might want to go higher or it might be impractical to go lower. We had one issue on second sourcing that came up in the last Congress, for example, and that was to second source the multiple-launch rocket system. In fact, that was a system that was being delivered on time and under cost. It does not make much sense, then, to ramp up yet another plant to produce a finite number of systems that are going to be required in that situation.

So, where you have good performance on a contract like that, you do not want to go to second sourcing because you are going to be spending more for the system if you do that. So you have to look at a lot of these things on an ad hoc basis.

The ideal would be to have so much competition that we had competition in every aspect of military contracting. But again I will repair back to what I said to Senator Metzenbaum: in some instances, for example, where we have setasides, we have to absorb the cost of going to a setaside with less than efficient acquisition because we are mandated to do so.

REPRICE DEFENSE PLAN

Senator GRASSLEY. I think what you characterized as Mr. Spinney's views, I would have to agree with that except I would go on and simply say that Mr. Spinney's point is that we do one of two things. We either increase funds, which I heard him advocate that we do or that if we are not going to increase funds, we reduce programs. And that does not mean stretch out.

In other words, if you just reduce the budget and you stretch out, then his view is that we are worse off than before. So rather, if we do not increase funds, then we reduce the program, and that means canceling systems, not stretching out. That is what Spinney was saying in my judgment.

As a followup on that, then, and from my view as not treading upon armed services policy, but as a member of the Budget Committee, wanting to put into the budget document sound figures, not only for the near terms, but as we are trying to do for the outyears as well, would you oppose having the defense plan repriced by the General Accounting Office or CBO to determine how much the President's program will cost?

Senator TOWER. In fact, repricing is going on right now, renegotiation of contracts, for existing programs. As Mr. Chu pointed out, the SARs reveal that, actually cost growth is being gotten under control, and were you here when I read the percentages a moment ago? The recent SAR's show that the Army's cost growth increase was only 3/10 of 1 percent. No increase is desirable, but that is a heck of a lot better than a 30- or 40-percent increase. And it is better than the historical record.

What Mr. Spinney gave you brought it up to only a certain point in time. What Mr. Chu gave you was the SAR that shows what the expense had been in the last year, in trying to get control of the problem that we all acknowledge exists, and the Navy decreased 4 percent. The Air Force decreased 9/10 of 1 percent.

Senator GRASSLEY. Now, the SAR is based on the 5-year plan. That doesn't tell the whole story. I think we need to remind ourselves of that, as well.

Senator TOWER. I am talking about what the SAR review in terms of a 1-year period of time was.

Senator GRASSLEY. Well, what about having the General Accounting Office or the CBO re-price——

PRIORITIZE PROGRAMS MORE DESIRABLE THAN STRETCHOUT PROGRAMS

Senator TOWER. But what are they going to start with? I think first you have to know how much you are going to be—what kind of production rate you are going to be permitted to sustain on a system before you can know what its lifetime cost is going to be.

As you well know, a stretchout means that you are reducing your production rate to a less efficient rate. You are paying a higher per-unit cost, and you are going out here and picking up the out-year inflation and adding to it

Without stability—and this is the key to Mr. Spinney's testimony—without stability in the acquisition process, you can't arrive at a reliable cost figure over the life of the program.

Senator GRASSLEY. You are putting me as a member of the Budget Committee, and yourself as a member of the Budget Committee, in a position of which comes first, the chicken or the egg. You know, you say that you——

Senator TOWER. You had better preserve this front-end load we have got on defense now. The desirable thing, rather than to stretch out programs, is in my view to prioritize programs to the extent that you see where you have got one program, perhaps another program can do that job. Then it is better to cancel the programs than to preserve all of these programs and simply stretch them out, but in that instance, in my view what you should do then is to plough that money back into getting more efficient rates on the things that you will continue to produce.

Senator GRASSLEY. OK, and that is where we are. Either we have to have some determination of what the actual budget figures are going to be so that we can put them into our budget. They have to be based upon either a majority of this committee being willing to give that additional money that it is going to take to accomplish the goals—in other words, the real figures there that come through repricing, or if those figures aren't—if, knowing those figures, that can't be accomplished—it seems to me like we have to be saying in our judgment then we have to cancel or go back through and reprioritize in the process and eliminate some.

Senator TOWER. Another aspect to this is that when you cancel a program, if it is a validated military requirement, you are going to have to replace it for something. Let's just take an example, the M-1 tank, which is highly controversial, but absolutely the best tank in anybody's inventory.

If you canceled it, then what would you have to do? You would have to buy more M-60s, and actually you would need more of them, because one M-1 tank is as good as about two M-60s, and at not twice the price, or three times the price, as Time magazine said. It is nothing near that. You have to have the additional personnel to operate them. So you have got to figure, if you cancel a program, what you have to do to substitute for it. And if you say, "Well, let's don't substitute anything," then maybe you are placing that American soldier at a very decisive disadvantage on the battlefield, and you are trading blood for money.

NO OBJECTION TO GAO OR CBO REPRICING DEFENSE PLAN

Senator GRASSLEY. I still need to know whether or not you favor or oppose—you have to be one way or the other—General Accounting Office of CBO determining just how much the President's program will cost. Are you in favor of, or opposed to, letting GAO or CBO——

Senator TOWER. I have no objection to their doing it. It is not a certainty that they would both come up with the same estimate. Now, they already have independent cost analysis at the Department of Defense, and that is what we are relying on, trying to get these costs more realistically calculated, and we are also trying to get these costs down.

Senator GRASSLEY. Would you assist us in getting the figures we need to have CBO or GAO——

Senator TOWER. I think you will have to be more specific, Senator, on what you actually want.

Senator GRASSLEY. Well, I can be more specific, and will be more specific. If I am more specific, will you help?

Senator TOWER. If you can give me a detailed memorandum on it, I think we can probably entertain that idea.

Senator GRASSLEY. OK. Thank you.

Senator Hatch [presiding]. Senator Exon.

CURRENT STRENGTH AND READINESS VERSUS SOVIETS'

Senator EXON. Mr. Chairman, thank you, and Chairman Tower, thanks for coming here. I appreciate very much the fact that since I serve on both committees that you would take your time and effort to come here and try to explain to the Budget Committee who are in the process of making a rather important decision, what your views are, and you are a very articulate spokesman for the defense of this country, and you know we have worked together on many things in the past and will continue to in the future.

The difficulties that the Budget Committee faces, of course, are that contrary to your assumption that there is great support for the President's increased figures for defense spending, I am not sure that that is a truly sound expression of what I hear from my colleagues today on both sides of the aisle.

So we are faced here, as the Budget Committee, on which you serve, with the matter of trying to bring some sense out of the horrible deficits that face this country this year and next year, and the year after that, and on down the road. In this regard, I would like to point out that the same experts who predicted the end of the

economic world as we know it with $40 billion deficits in the 1970's have now, without even swallowing very hard, embraced a $200 billion deficit and have reversed their field completely with a new game plan based on future direction of deficits that this one Senator is not comfortable with.

The only logical conclusion that I can draw is that if the deficits in the outyears drops from $200 billion to $190 and then on down to $180, in the opinion of these former experts that all is well. This philosophy was either wrong in the 1970's, or it is wrong now, or possibly it was wrong in both instances.

Those are the problems that face you and me as members of the Armed Services Committee and as members of the Budget Committee.

But getting down to some of the basic problems that we face, and as you know I am for increased defense spending, but let me get your answer to a question that has been asked in our Armed Services Committee of the uniformed members of the Services on many occasions, and has been asked by expert witnesses who have testified previously before this Budget Committee.

From your perspective, with regard to the security effectiveness of the United States of America, and if you had a decision to make on how we could best strengthen our deterrent in the future, would you trade our current overall strength and readiness and that of our allies for the Soviets' strength and readiness and their allies?

CONCERNED WITH SOVIETS TREND LINES

Senator TOWER. Senator, I think that is somewhat of a sophistic question. To begin with, to maintain the kind of system the Soviets have, we would have to have an authoritarian government. Right there, I would not make the change, because I would not like to see us have an authoritarian government.

Beyond that, we don't have the same requirements. We are in a defensive configuration. My bottom line would be that I would rather have our system, our forces, with the trend lines to be established by the Reagan 5-year plan.

Now, our concern with the Soviets is not just what they have now—but what the trend lines are, and what we are going to be confronted with down the road.

I wouldn't trade with them, because I would hate to see us going into the business of debating the expenses of a land army of 2.5 million people. If you think we have got budgetary problems now, you take over the Russian system. We would have a hell of a lot of problems.

Quite frankly, I would rather command American troops myself than command Russian troops. I would rather have our geographical location than theirs. When you are talking about trading, what are you talking about trading?

You mean we trade geography with them, too?

Senator EXON. What I am really concerned about, Mr. Chairman, is the fact that we hear time and time again the fear techniques that I think are intended to convince the American public that somehow we are a naked, helpless giant, and I don't think we are, and I don't believe you think we are.

SOVIETS HAVE SUPERIORITY IN INTERCONTINENTAL BALLISTIC MISSILES

Senator TOWER. In fact, they do have an important area of superiority over us, and that is in the intercontinental ballistic missiles, the land-based strategic missiles. That does put our country at grave risk. The fact is, in numbers and actually in quality of field equipment, they do have a superior capability on the central front. We can't ignore these things.

But in response to your question, I am saying I would much rather have our system and the capability to expand on that system to meet our defensive requirements than to have that vast offensive capability of theirs, and the associated costs, the enormous cost that goes along with it, and the privation that we would have to impose on our people to support it, although we would not have to impose near the privation on our people to support such a system as they impose on theirs.

Senator EXON. I think what you are saying, Mr. Chairman, I think——

Senator TOWER. I would rather have their intercontinental ballistic missile capability, yes, because I think that would be an enormously effective deterrent to a strike against us. That is an offensively configured system.

Senator EXON. Do you think, Mr. Chairman, that 10 years down the road, given the development of the technology on both of these sides, that the Soviet Union is likely to be as strong as you perceive them to be now in ICBM's. Specifically, you and I know that 70 to 75 percent of their ICBM strength is in land-based ICBM's, and you know and I know, and everybody knows, that in the next 10 years there isn't any likelihood whatsoever that land-based ICBM's are not going to be sitting ducks either in the Soviet Union, based on land, or in the United States, based on land.

Therefore, the tremendous advantage they have in ICBM's likely is to become a liability in the future, rather than an asset that it is generally considered to be now.

Would you agree with that?

Senator TOWER. Well, you have got to consider that there are all kinds of differences between the two countries. We do not have a first-strike mentality, or a first-strike policy. If you look at what the Soviets have done, it poses a threat to the United States. I would like to have it, because the numbers involved would be a substantial deterrent, because it is in that force that the urgent hard target kill capability is lodged, and in no other aspect of either their strategic forces, or ours.

SETTING PRIORITIES ON REDUCTIONS IN DEFENSE SPENDING

Senator EXON. Mr. Chairman, setting of priorities on some reductions in the President's defense-spending numbers continues to be a matter of great concern among the Members of Congress, and I think in your case, also.

Have you, as chairman of the Armed Services Committee been given any specifics whatsoever by the President or the leadership of the Pentagon as to where we should make reductions, if we make them?

Senator TOWER. I think that what they are saying to us is this: that given the commitments that they have, the roles and missions that must be formulated to meet those commitments, they have to have what they have asked for.

Therefore, in my view, and this is in my statement, you cannot ask the military to tell us what, given finite dollars, they could do without unless civilian authority tells them what commitments would be compromised, or what roles and missions would be degraded.

Now, you could say, "Well, let's just take our chances, and pull the fleet out of the Indian Ocean and the Persian Gulf area." Now, we leave a vital U.S. interest unprotected in the process, and that gets us back to this whole business of the long-range economic impact of defense.

I think Irving Kristol was right when he said it is very possible that the economic health of the United States may depend more on her foreign and national security policy than on her domestic economic policy. We have a resilient economy that has a way of bouncing back, but if to save some dollars on military expenditure, we let, say, the Southwest Asian oil fields fall into unfriendly hands, where does that put our economy. I submit we would have saved nothing, that for an immediate savings of a few dollars, we have imperiled the economy of the United States of America, and I might point out to you that with oil prices going down, we are going to get drunk on foreign oil again, and our degree of self-sufficiency in this country is going to shrink. Their production costs are much lower than ours. There are about 300 rigs stacked in Texas right now, so you have got to consider that the trend line indicates that we are going to become more dependent on external sources.

If we concede the Third World to the Soviet Union and its surrogates, I can provide you with a list of the strategic materials aside from energy that would be denied the United States, and would have an enormously adverse impact on our economy.[1]

If you close down or concede to the Soviets, or they exercise influence or control over some of the marketplaces in which we now sell our goods, calculate the impact on the American farmer in particular, because that is our biggest item of export.

Senator EXON. Mr. Chairman, I take it that the answer to my question, which simply was, have you been given any priorities on cuts by the President——

Senator TOWER. I have not been.

Senator EXON. You have not been.

Senator TOWER. I have not been, and I think that the scenario has to work out this way, that the Congress says to the President, if indeed the Congress is hellbent and determined to cut defense, focusing primarily, becoming preoccupied, as we always do during recession with out own domestic problems, if we say we are going to cut x dollars out of defense, then the President will have to make the determination about which of our commitments we are going to compromise, because the military only performs those functions assigned to it by civilian authority. They don't make the policy. They don't conclude the treaties with other countries.

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[1] See p. 187.

They are given a job to do and told, "You do this job, implement this aspect of American security and foreign policy," and then they come to us and say, "This is what we need to do the job. We need so many tanks on the central front if we are to be a partner in NATO," et cetera.

MX FUTURE

Senator EXON. Mr. Chairman, one final question of Chairman Tower that I would like to get to. I would say to you, Chairman Tower, that it will be my efforts on this budget committee to try and convince my colleagues on this committee that, try as we might, we are not going to be able to make significant reductions in $10 to $15 billion in outlays as some people think we should. There is no way, since the defense budget is basically driven by budget authority in future years, that we are going to be able to safely—and I say safely with regard to maintaining our overall strength—make significant cuts this year in outlays, and I expect we will have quite a discussion on that when we come to 050 in the budget discussion. But let me talk about the future years just a little bit.

It seems to this Senator that we may have some redundancy in some of our future procurement programs. To mention only one redundancy, it meems to me like that we continue to underestimate the ability from several standpoints of the D–5, commonly called the Trident II, and you and I discussed this to some extent the last time you were before this committee.

This leads us to the MX. As chairman of the Armed Services Committee, what do you think is the future of the MX, if any?

BASING MODE IMPORTANT

Senator TOWER. I would not be prepared to make a prognosis on that right now, Senator, because I think a great deal depends on what is recommended in the way of the basing mode. And, as you know, the President's MX Commission is still at work and has not yet made its recommendations to the President. I don't think that we can make any intelligent comment on that until such time as that commission has reported, the President has made his recommendation, and we as a committee, and the distinguished Senator from Nebraska included, analyze this and see where we want to go on it.

Of course, we will make the final determination, because, as Harry Truman said, "The President proposes; the Congress disposes."

Senator EXON. Let's assume——

ADEQUATE SUBSTITUTE MIGHT COST MORE

Senator TOWER. And so I am not trying to make a prognosis on that right now, but of course that gets us into programmatic matters, and the fact is you might, if you, for example, decide that the MX shouldn't be funded, then you have got to have something to modernize your nuclear force, so you have to spend money on something else. So this doesn't always have a favorable impact on

what you do in fiscal terms. As a matter of fact, it might even cost you more to find an adequate substitute.

Senator EXON. If there were no President's commission, and you as an expert on defense, and I consider you an expert, what would be your recommendation as of now with regard to the future of the MX missile?

Senator TOWER. Well, I have already made my recommendations. I think I have been pretty well on public record. I supported the MPS system that Congress had authorized, and previous Presidents had proposed. The administration decided that it did not want to pursue that course, and came up with another.

I was perfectly prepared to look into the military and technical and political efficacy of the closely-spaced basing mode, but that was shot down initially, without the Congress taking a good look at it, and I think we were at fault for failing to do that.

But at this point, I would not predict where we are going. I would not be prepared to say what I would reommend at the moment. Quite frankly, I would have to do a little more homework in looking at all the various opinions before I would be prepared to make such a recommendation.

Senator EXON. Mr. Chairman, I think the Chairman has already done his homework, and I understand that he does not wish to make a statement on that now, and I appreciate that.

Thank you, Chairman Tower.

Thank you, Senator Hatch.

MBFR NEGOTIATIONS HAVE SIGNIFICANCE

Senator HATCH. Thank you, Senator Exon.

Senator Symms has been kind enough to allow me to ask a couple of additional questions before he will take over the Chair and finish the questioning.

I was getting into arms control, Senator Tower. On arms control, do you think the MBFR negotiations have any significance?

Senator TOWER. Well, I think that they do have a significance. What you have to consider, if we achieved our ideal, which is zero-based option—I don't think anybody disagrees that if you could achieve that, that that would be ideal, because it would mean all these destabilizing weapons would go out of the inventories of both sides, but you would have to accept the consequences of that: Absent those weapons, you would look for the threshold of risk of the Soviets engaging in a conventional conflict to be reduced, because of the enormous numerical, and, in some instances, technical superiority they have to us right now. We hope that that trend line is going to change.

And so, you would have to, I think, spend more on conventional systems, and then what you do then in the conventional area would impact on your ability to negotiate mutual in-balance force reductions with the Soviets, just as the decision to deploy GLCM and Pershing II in Western Europe impacts on the negotiation of theater nuclear forces. That is a fast and dirty short answer to the question.

Senator HATCH. The reason I asked that question was that I visited those talks in Vienna. I got the impression that cutting back on U.S. force levels——

Senator TOWER. You must have gotten a massive dose of frustration if you attended those conferences.

Senator HATCH. I did. But I got the impression that cutting back on the U.S. force levels in Europe would really end any chance——

Senator TOWER. Oh, there is no question. We have got to do two things: we have got to maintain our present force capability there and we have got to modernize our forces in the area. The U.S. Army does not have as good equipment as the Soviets do at this point. We are redressing that deficiency now. But any downgrading in presence, and in modernization would have a terribly adverse impact on any ability to negotiate MBFR.

MILITARY REFORM CAUCUS IS NOT A MONOLITH

Senator HATCH. Thank you. Just for the record, would you tell us whether the Military Reform Caucus in which Senator Gary Hart has been active, has a monopoly on military reform?

For instance, I have heard similar new ideas coming from within the Army, Navy, and Air Force, like the Air-Land 2,000 concept which basically, as I understand it, would extend the forward edge of the battle area into the Soviet rear area, and fight a war of maneuver, you know, if we have to.

Could you describe some of these new reform concepts, and I might add that I feel our armed forces are not as rigid and dinosaur-like as some of the Military Reform Caucus people have implied.

Senator TOWER. Well, let me first say that the Military Reform Caucus is not a monolith. Two prominent members of that caucus debated the carrier issue on the Senate floor. I might say the right one prevailed in that instance. And that is just an example.

I don't think we are rigid and inflexible. As a matter of fact, historically, the resourcefulness and flexibility of the Americans has been a great asset on the battlefield. I would not want to have inflicted on us, the rigid doctrines imposed on Soviet forces, or on those of their surrogates, and Soviet doctrine really came a cropper in Lebanon, when the Israelis waxed the Syrians.

Senator HATCH. Thank you.

Senator Symms, do you want to take over?

Senator SYMMS [presiding]. Thank you.

Senator TOWER. Certainly we want reform, but not just reform for reform's sake, and when you talk about maneuver, and warfare of maneuver, as many of the reform advocates think we ought to get more into, you are really looking at high-tech systems that enable you to make maximum utilization of manpower so you reduce the manpower intensity of your system.

FULLY FUNDED REAGAN PROGRAM NOT ENOUGH

Senator SYMMS. Thank you very much, Mr. Chairman, and I will just ask you a couple of questions, Senator Tower, and then we will recess, or adjourn, the meeting, but I have been listening here to the debate and scanned through your very excellent statement, and

I find myself on this committee as one of those who shares your point of view, with respect to the defense question.

Given the principal arguments of why the Reagan defense budget vis-a-vis the Soviets, if the Soviets actually continue the massive buildup on the trend lines that they have been doing in the past 10 years, are we not in a position where the Reagan defense budget itself has the possibility to underfund what might be needed for security of the United States?

Senator TOWER. Well, as I pointed out in my statement, I believe, that even if we fully fund the Reagan program, we would still have deficiencies in our program. We would still have to face up to numerical superiority.

Senator SYMMS. And when we look at the question of what you are talking about, the way the Israelis did so well against the Syrians, the British did very well considering the distance they were from home, and so forth——

Senator TOWER. The British did very well indeed considering an 8,000-mile logistical line, and sending their fleet into the teeth of a land-based air attack.

Senator SYMMS. Had they had one strike carrier, it would have made it much simpler for them.

Senator TOWER. I asked a British officer, and it happened to be an RAF officer, "What do you need most in the Falklands?" He said, "We need the Ark Royal back." The Ark Royal was their last attack carrier. They have got an Ark Royal now that is being built and outfitted, but that is a small carrier, jump-jet carrier.

TECHNOLOGY USED TO OFFSET MASSIVE NUMBERS

Senator SYMMS. But the general trend that you are talking about is that what we have used is technology, to offset the massive numbers of artillery pieces, the numbers of tanks, the numbers of personnel of the Soviet standing army, that we are counting on technology?

Senator TOWER. Technology, superior training, and doctrine.

Senator SYMMS. But isn't it true that part of that technology has been our ability to develop highly selective, tactical, and nuclear weapons? That is part of the technology?

Senator TOWER. Technology has enabled us to maintain a qualitative edge in most areas, that tends to offset Soviet numerical superiority. Not in every instance, because in some instances, technologically their stuff is better than ours. Their army field equipment. We are moving to erase that advantage with the M-1 tank, the Bradley fighting vehicle, both much maligned, are really principal elements in that modernization program, and the application of high tech that makes us more combat effective, more maintainable, more sustainable.

Senator SYMMS. In line with that, though, like, tomorrow there is going to be a rally, from what I have been hearing on the news, about the freeze advocates, which, certainly in this country, it is their right to do so, but it seems, like, that one thing is missing, and you might check me out on the history of this, but as I recall it, after World War II the United States did not have a nuclear program until after the Soviets had stolen the technology from the

United States and then started testing weapons themselves, so in effect they liberally started this strategic weapons program.

Senator TOWER. If you remember, the United States wanted to place atomic technology in the hands of the world. The Soviets would not agree. Why? Because they had not developed that capacity yet. Once having done so, they then built steadily toward nuclear superiority. This has been their objective. It is very obvious that this is what they have been doing, and we have satisfied ourselves for a long time with less throw-weight than the Soviets, less megatonnage, but superior precision and guidance systems.

But now, you see, our qualitative edge is being wiped out as Soviet technology continues to improve, some of which they have stolen from us, and some of which they just buy a copy of a magazine and read about, some through technology transfer that has been unwitting.

UNITED STATES AND SOVIET STRATEGIC DIFFERENCES

Senator SYMMS. But I notice in the back of your paper here, you have a chart. Somewhere I saw it. I don't recall the page it is on. It demonstrates the differences in strategic—or maybe you don't have one on strategic—but at any rate, if you set it up like this—you have seen it many times—and I will hold up this. This would be an example of the size of the Soviet strategic land-based missile force, and this would be the size of the United States——

Senator TOWER. Yes.

Senator SYMMS [continuing]. In approximate terms.

Senator TOWER. Both in numbers and in throw-weight.

Senator SYMMS. In numbers and in throw-weight, then the argument I find when I meet with different groups of people at home and in other parts of the country, they say, "Well, we still have enough here to take care of the problem, so we don't need any more," and so I come back and often say, "What you need to do is consider they fire the top third of their group, so it lowers it down to the size of what we have left, and then look and see how many we have left, and it is about equal to how much water is left in my glass." Is that correct?

Senator TOWER. The point is, they could with about 25 percent of their force wipe out about 95 percent of ours.

Senator SYMMS. Of our land-based bombers and land-based missiles?

Senator TOWER. Well, I am talking now purely about ICBM's.

Senator SYMMS. ICBM's.

Senator TOWER. That is where your urgent hard target kill is. That is your timely response capability, to hit targets with precision. Obviously, what you would target would be military targets, and you need a more precise weapon.

Senator SYMMS. You see, most Americans seem to have the opinion that they would be firing at empty silos, but that is not necessarily the case, is it?

Senator TOWER. Well, I think if you relied purely on—launch on warning is a very dangerous thing, because we could make a mistake in a situation like that. We might start something we didn't want to start.

Launch under attack is somewhat flawed. You have no incomings arrived. Two, if you got it off in a timely way, how much time would you have to retarget? You don't know whether you are firing at empty silos over there, and right now they have got a very, very favorable force exchange ratio with us.

Senator SYMMS. But that gives them a tremendous strategic advantage over the United States, where we——

Senator TOWER. It only gives them a strategic advantage over the United States in terms of an offensive capability. Remember, we do not now have an urgent hard target kill capability.

Senator SYMMS. So, what, if I can summarize this, what you have agreed that the Soviets were the original nation that started the nuclear arms buildup. It was not the United States.

Senator TOWER. Well, I think we have to deal with the historical fact that we were the first and the only nation to ever use——

Senator SYMMS. That's true.

Senator TOWER [continuing]. Atomic weapons.

Senator SYMMS [continuing]. But President Truman did not continue the program after World War II.

Senator TOWER. We recognize the fact that this is a very horrible weapon, and that perhaps it would be safer in the hands of all nations, rather than confined to only one.

But the Soviets in fact embarked on a program that made it necessary for us to reopen the production of nuclear bombs. But of course we had another objective, too, that is to maintain a strategic umbrella of nuclear power that would deter lower-level aggression, because the presence of the potential for a trip-wire of a nuclear war, and the balance was in our favor, could serve as a deterrent for them engaging us in some kind of conventional war.

PERSONNEL COSTS AROUND HALF OF DEFENSE BUDGET

Senator SYMMS. Now, is it true that over half the defense budget is personnel costs?

Senator TOWER. That has come down. It used to be around 55 percent. Now, it is around 50 percent. If we whack out anything, it will be out of operations and maintenance, or out of procurement, or out of research and development, because you are not going to take it out of pay. Can you imagine this Congress cutting military pay?

Senator SYMMS. No, I can't. I can't imagine this Congress making some major reforms of the personnel situation. I personally felt like that finally after 30 years of having a draft that was somewhat inappropriate because it did have college exemptions and so forth, they finally got a draft that was equitable and fair, and by that time, and I believe it was in the Nixon administration, we went to the volunteer army concept, which has increased the cost per soldier of new inductees into the military, but I don't see anything in the future where we could actually say we are going to continue to keep a highly professional NCO and officer corps and——

Senator TOWER. Well, this is the point. Retention is going to cost you. If you went back to the draft tomorrow, you would not lower personnel costs, because you would still have to retain skilled personnel. As a matter of fact, you might want to pay a little bit more

for retention. If you had a dramatic expansion, you would need every NCO that you could find as a cadre to train these people to train them and absorb them and assimilate them into the service.

I have said that I don't believe that for very long we could meet our manpower and reserve requirements without a draft. My feelings have altered on that somewhat. I think the all volunteer concept is working. Let's hold our breath.

BASIC INFANTRYMAN'S WEAPON

Senator SYMMS. If I could ask one last question, Senator: One thing that has been of concern to me, and I don't get the opportunity to deal in the defense matters, but I have long believed that we should have 20 caliber weapons at the platoon and squad levels, and our basic infantryman's weapon is the M-16, and I understand there is now a new one, the M-16-A. Is that correct. Is that working out with new ammunition to——

Senator TOWER. I can't give you any performance experience on that, Senator.

Senator SYMMS. I appreciate that, and I suppose that at this time it is not in the workings to change our basic infantryman's weapon.

Senator TOWER. Let me ask some of my program people.

That is not the case, Senator.

Senator SYMMS. In other words, we intend to stay with the same infantry weapon?

Senator TOWER. For the individual soldier, I am informed, yes.

Senator SYMMS. Well, I thank you very much, and I appreciate your leadership. I hope that people in the country and we are able to get the message out to have everyone recognize that there is one social program in the United States that is totally nondiscriminatory, and that is the defense program.

When one looks at where the social security money goes, for example, it goes to upper-or middle-class people, to a very high degree, and in many, many of the Federal transfer payment programs, we are subsidizing the middle class, but there is one thing about the defense budget that can be said. The Defense Department is given a mission to defend rich and poor alike with no discrimination, and I think that is so often misunderstood, and certainly I shared your disappointment with Time magazine giving Mr. Spinney such enormous to the eyes of the American people to make it look as though somehow this country can balance the budget by straightening out the waste or whatever at the Pentagon, when in fact if a person really examines it, you find out that we are spending a lower percentage in all the projections through 1988, as you made clear in your statement. We will be spending a lower percentage of our Federal budget for defending this great Nation than we did for all the years from 1950 on through 1970.

Senator TOWER. Less than we did 20 years ago, when we were far less threatened than we are now.

Senator SYMMS. That is correct.

Thank you very much, Senator.

Senator TOWER. Thank you.

Senator SYMMS. The meeting is adjourned.

[Whereupon, at 12:07 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

WRITTEN COMMITTEE QUESTIONS TO SECRETARY WEINBERGER AND THE RESPONSES

Real Growth Rate Proposals

Senator Domenici: Please indicate reductions the Department of Defense would make to obtain the following budget levels:

DoD Military Budget (051)
(Budget authority - $ billions)

	FY 1984	FY 1985	FY 1986
8% real growth.....	268	306	348
6% real growth.....	263	295	329
5% real growth.....	261	290	320
3% real growth.....	256	279	302

Answer: See attached memorandum dated 1 Mar 1983, to Senator Domenici.

THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

1 MAR 1983

Honorable Pete V. Domenici
Chairman, Committee on Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

At the conclusion of the Senate Budget Committee hearing you chaired on February 3 to review the FY 1984 defense budget, you requested that I provide an analysis of the possible consequences to our national security if real growth levels in the defense budget were to be set at three alternative rates, all below what the President's budget would produce.

The purpose of this letter is to respond to your request, and also to your letter of February 9 signed by Senator Chiles on the same subject, by providing a summary analysis of the change in Budget Authority (BA) and Outlay totals that would take place at the alternative BA growth levels of 8 percent, 6 percent, or 4 percent for the years FY 1984 to FY 1986 (table attached). In general, the following dollar reductions from the President's budget would be needed to meet your suggested rates:

Budgetary Impact of Alternative Growth Rates
On President's Budget for the Years FY 1984 to FY 1986

	$ in Billions	
Option	Budget Authority	Outlays
8%	-29.2	-18.8
6%	-64.4	-38.1
4%	-98.6	-57.1

I have mentioned on several occasions that I do not believe we should, nor do I in any way support, establishing defense budgetary levels on the basis of an arbitrarily prescribed real growth percentage. Changes in the economy totally outside the control of the Department of Defense could substantially alter our budgetary needs after which it would be most difficult for us to recover our program objectives if we were tied to specific growth rates in advance for several years. I do favor a smooth and consistent growth in defense budgets. However, it is difficult to base this simply on a prescribed, constant growth rate. More importantly, there can be changes in our military needs as world tensions vary that could require shifts in the level of defense budgetary resources.

In response to your request, I will summarize here the damages that would be done to national security by adopting a smaller percentage increase in defense expenditures than the amounts requested by the President.

Your proposal would base defense expenditures on arbitrary numbers rather than need. Such reductions as would be required to reach arbitrary percentage rates on growth would result in eliminating program increases in a number of readiness areas, such as steaming and flying hours and the number of effective training days. The relatively few backlogs of depot maintenance allowed for FY 1984 would swell, thus reducing the availability of needed systems and equipment for the forces in the field. Real property maintenance backlogs would increase, offsetting the recent progress we have made in improving the condition of operational and personnel support facilities needed in day-to-day operations. Budget increases to insure the availability of spare parts in the field would have to be moderated or eliminated. Logistics support programs, which provide technical support to the operating forces, would have to be curtailed.

Larger reductions, such as those dollar cuts called for under the 6 percent option and the 4 percent option, would require not only elimination of planned increases in these readiness areas, but would require absolute reductions in current levels of operation. Without real growth in the operating accounts, it will be necessary to cut back on the level of operations (and therefore readiness) for the increased number of ships, aircraft, tanks, and other systems. A consequence of such dollar reductions at this time would be to limit seriously the availability of spare parts, ammunition and other support items for any future emergencies.

Significant reductions in the operating accounts would soon require not only reductions in the readiness of our forces, but reductions in the force levels themselves as a consequence of the targeted readiness reductions required to achieve the lowered real growth rates. If the resources required to support planned force levels at effective levels of readiness are not available, reductions must be made in either the size of the force or in its readiness to accomplish the mission. That is, units would have to be identified for deactivation or they would have to be explicitly identified for reduction in their readiness classification.

Also interrelated with reductions in readiness, sustainability and force levels would be the requirement to cut back by several billion dollars in the modernization/investment area.

First, for example, we would have to consider revamping the increases for multiyear procurement, vehicles, support and

communications ($4.8 billion in TOA). This would generate approximately $700 million in FY 1984 outlay reductions. From the multiyear procurement reductions alone, we would have to negate $2.8 billion in savings. Also, this would surely signal to the private sector our lack of will in revitalizing the defense industrial base by creating more efficient investment opportunities and incentives at a most critical juncture.

Second, the rate of modernization of our weapons systems would be slowed. A $3.0 billion TOA reduction in this area would generate approximately $400 million in FY 1984 outlay reductions. In return, we would retain less capable aircraft, missiles, ships, etc., in the force for an extended length of time. Production lines would be operated at lower and less efficient rates.

Third, if procurement growth were significantly reduced, we would have to delete all increases for readiness and sustainability and for our strategic initiatives. This action could delete up to $9.2 billion in obligational authority but only save $1.1 billion in outlays in FY 1984.

Recently, there has been generalized conversation about achieving outlay savings in the strategic forces area. But if we cancelled the PEACEKEEPER missile, B-1 bomber and TRIDENT submarine, it would be a serious blow to the future security of this Nation. The cumulative outlay reductions for both FY 1984 and FY 1985, if all three of these items were cancelled, would be $4.9 billion. However, the critical fact to note is that the strategic imbalance between our forces and those of the USSR would not be corrected or even improved. As a result, our ability to continue deterrence of war would continue to erode.

Abrupt cancellations trigger contractor reimbursements, hence the net savings are substantially reduced. Once production lines are closed, it is exceedingly difficult to find the trained personnel to start them up at a later date. When the Department initiates production again, as it would have to do if we are to keep our security, personnel will have to be retrained, new vendors qualified, and the production line restarted. The cost of the balance of the program will, of course, increase substantially due to these factors and to the loss of production learning curve continuity. Program stretch-outs nullify many of the management initiatives the Department has sought to implement--multiyear procurements, economic production rates, large-lot buys, and stable planning by industry. Short-term small outlay savings inevitably cost us all much more in the end.

I strongly urge the Congress to consider carefully that the increases for modernization and investment we propose are intended to reverse the long downward trend in the modernity and readiness of our weapons systems that existed prior to this Administration.

Reductions in Budget Authority from $5 to $15 billion would also impact force levels as was briefly noted above. Reductions would be required in many components of general purpose programs, and thus, for example, our existing Army and Marine Corps land forces could be weakened by the inactivation of total force units. Reductions in the range of $15 billion would force us to give up present commitments to maintain forward deployment of carrier battle groups and other naval forces in the Mediterranean Sea, the Indian Ocean and Western Pacific. Air Force tactical fighter forces would be reduced, seriously degrading our all-weather attack capabilty and further aggravating the numerical inferiority of our tactical air forces.

Some have suggested that substantial savings could be realized by reducing military end strengths and increasing the end strength of the Reserve and Guard. While this is a subject for some examination over the long-run, it is not a means to a near-term reduction in the defense budget. It can only result in near-term losses in military capability and turbulence. A rapid transition, without a degradation in the total force capability, will actually result in near-term cost increases during the transition period given the necessity to maintain the active force capability while we build the Reserve component capability.

The only possibility for considering such reductions in the President's defense request would arise from a lessening of the Soviet military threat. So far that has not happened, yet we should remain hopeful that the future will bring a considerable lessening of the threat. The pressure for lowering U.S. defense spending now derives almost entirely from calls for further fiscal constraint. Budget constraint and real economic growth are vital for our future fiscal health as is the need to protect our free economic institutions. Arbitrarily lowering defense budgets is not a means to those ends.

Most economists agree that for each dollar reduction in defense spending, only about 50 cents will actually affect the federal deficit. Furthermore, although defense spending should only be undertaken for national security needs and for no other purpose, it does have a positive effect on our economy through increased federal revenue, employment, and overall multiplier effects. We do not propose, nor do we justify, national defense budgetary needs on the value of their economic stimulus; however, should larger defense budget reductions be undertaken at this time, not only would national security suffer in a most serious manner, but the potential growth of our economy is weakened at a critical time.

Sincerely,

Enclosure

Alternative Real Growth Rate Proposals

DoD TOPLINE
($ Billions)
Current Dollars

	FY 1983	FY 1984	FY 1985	FY 1986	Total FY 84-FY 86
President's FY 84 Budget:					
B/A	238.5	273.4	321.6	356.4	951.4
% Real Growth	6.6	10.6	11.1	5.5	9.1
Outlays	208.9	238.6	277.5	314.9	831.0
% Real Growth	9.5	10.3	9.6	7.9	9.3
8% Path:					
B/A	238.5	268.0 (-5.4)	306.4 (-15.2)	347.8 (-8.6)	922.2 (-29.2)
Outlays	208.9	236.7 (-1.9)	270.1 (-7.4)	305.4 (-9.5)	812.2 (-18.8)
6% Path:					
B/A	238.5	263.1 (-10.3)	295.1 (-26.5)	328.8 (-27.6)	887.0 (-64.4)
Outlays	208.9	234.9 (-3.7)	264.3 (-13.2)	293.7 (-21.2)	792.9 (-38.1)
4% Path:					
B/A	238.5	258.1 (-15.3)	284.1 (-37.5)	310.6 (-45.8)	852.8 (-98.6)
Outlays	208.9	233.1 (-5.5)	258.5 (-19.0)	282.3 (-32.6)	773.9 (-57.1)

Amounts in parenthesis represent dollar changes from President's fiscal year Budget Topline amounts shown in the first section above.

Senator Domenici: Please provide a summary of the procurement account for FY 1984-1988 broken into mission categories (e.g. strategic forces, general purpose forces, intelligence and communications, airlift and sealift, etc.)

Answer:

Summary of Procurement
By Five-Year Defense Program Mission Category
(Budget Authority, Dollars in Billions)

Category	Fiscal Year 1984	1985	1986	1987	1988
DoD Topline Procurement Estimate:	94.1	119.7	136.4	150.5	170.4
Five-Year Defense Program Procurement Component:	94.1	122.7	134.7	146.5	168.5
Required Adjustment to Five-Year Defense Program Procurement Component: 1/	-	-3.0	+1.7	+4.0	+1.9
Detail of DoD Topline Procurement Estimate					
Strategic Forces:	18.9	23.8	23.0	18.2	20.4
General Purpose Forces: 1/	59.5	75.0	91.7	106.3	121.5
Intelligence & Communications:	7.8	10.8	11.2	13.0	14.4
Airlift and Sealift:	2.7	3.8	4.0	4.4	3.2
Guard and Reserve:	1.7	1.7	1.5	2.7	3.7
Central Supply & Maintenance:	1.7	2.3	2.1	2.5	3.5
Training, Medical, and Other General Personnel Activities:	1.1	1.5	2.1	2.5	2.9
Administration and Associated Activities:	.3	.4	.3	.2	.3
Support for Other Nations:	.1	*	*	*	*
Defense Production Act Purchase: 2/	.2	.3	.5	.5	.5

* Less than $50 million.

1/ Adjustment is required to bring Five-Year Defense Program detail into agreement with the DoD topline procurement estimate. For this analysis, the adjustment is arbitrarily applied to the General Purpose Forces mission category. In actuality, a competitive process will take place which will insure that marginal programs will be deferred/deleted.

2/ Not distributed by specific FYDP mission category.

Senator Quayle: Please provide estimates of the impact on average unit cost and total program cost of revising the purchase quantities of the following systems. Also, please provide an estimate of the impact on FY 1984 budget authority.

Revised Procurement Quantities

	1984	1985	1986	1987	1988
B-1	7	20	25	30	22
C-5	3	9	15	15	7
F-15	30	30	30	30	30
M-1	600	660	720	720	720
Bradley IFV	600	780	960	1080	1080
AH-64	64	120	120	120	32
Patriot	525	525	525	525	525
Attack Sub	2	3	4	4	5
Aegis Cruiser	2	3	3	3	2
AV-FB	32	42	48	52	52
F-14	24	24	24	24	24
Harpoon	330	330	330	330	194
Phoenix	290	360	420	420	420
Tomahawk	124	353	420	420	420

Answer: The information is as follows (Air Force C-5 data will be provided at a later date):

	$ (TY) IN MILLIONS		
	FY 1984 COST IMPACT	AVERAGE UNIT COST IMPACT	TOTAL PROGRAM COST IMPACT
M-1	-242.400	+.040	+300.000
Bradley IFV	---	+.006	+43.000
AH-64	-380.000	+.750	+750.000
Patriot	---	+.210	+1,297.300
Attack Sub	-717.000	+25.949	+554.900
Aegis Cruiser	-1,010.000	+44.000	+611.000
AV-8B	-12.400	+2.250	+672.000
F-14	---	+6.700	+2,695.900
Harpoon	---	-.001	-.600
Phoenix	---	+.070	+219.000
Tomahawk	---	+.070	+270.200
B-1	-1,000.000	+66.000	+11,000.000 1/
F-15	-297.400	+35.800	+28,200.000

1/ Assumes no multiyear contract for B-1. Estimate is a range of from $9.5 to $11.0 billion. Unit cost increase of +$66.0 million relates to $11.0 billion total program increase.

Budget Reduction

SENATOR DOMENICI: Secretary Weinberger recently announced cuts in the defense budget of $11.3 billion in budget authority and $8 billion in outlays. Please provide the programmatic details of where these cuts were made and include the impact of these cuts on subsequent fiscal year budget request.

ANSWER: Part of the $11.3 billion reduction consists of the reduced cost of fuel and the reduction in the cost of many items resulting from the sharply lower inflation rates the Administration has secured. The balance of these reductions are planned from personnel cost savings, deferral of some domestic military construction, and a reduction of other planned expenses such as some training costs. The following table provides the composition of the $11.3 billion reduction in Budget Authority and the $8.4 billion reduction in Outlays:

	BA	Outlays
Lower Fuel Prices	$ 1.0	$1.0
Other Purchases Inflation	3.5	1.7
Military, Civilian & Retired Pay	4.9	4.9
Program Reductions	1.9	.8
Total	$11.3	$8.4

The cumulative savings in defense for the period FY 1984-88 are $55 billion in Budget Authority and $47 billion in Outlays.

Consistent Rate of Defense Spending

SENATOR HATCH: Mr. Secretary, I was pleased to note your analysis that defense spending is not the cause of our deficit problem, and your citation of figures which show that defense spending has, in fact, declined as a percentage of total federal spending.

It seems to me that, on the whole, if we had maintained 1975 levels of defense spending -- that is, those proposed at the end of the Ford Administration -- and had a more balanced, consistent rate of defense spending, we would have spent less in the long run. Is my suspicion accurate?

ANSWER: No, this is not really the case. If we take Ford spending in FY 1975 and pick, as you say, a more balanced, consistent rate of defense spending, for example, 2 percent real growth each year, the cumulative spending over the period would not be significantly different. This may be illustrated in the following table:

DOD OUTLAYS FROM 1975
($ Billions)

	2% Growth & Inflation	Actual
1975	84.9	84.9
1976	86.6	87.9
1977	101.1	95.6
1978	110.9	103.0
1979	121.0	115.0
1980	138.4	132.8
1981	158.5	156.1
1982	176.1	182.9
1983	187.4	208.9
1984	198.0	238.6
Cumulative	1,362.6	1,405.7

As the table shows, the cumulative difference between these two scenarios is only $43.1 billion in 10 years. The recent buildups in defense are necessary largely because we have not maintained consistent and balanced programs in the past.

STRATEGIC FORCE RESTRUCTURING

Senator Symms: Mr. Weinberger, as you know, I have been extremely concerned by the decision to unilaterally deactivate 292 strategic delivery vehicles—Titan ICBMs, Polaris SLBMs, and B-52 bombers. I understand this unilateral deactivation of 26 percent of our firepower and 14 percent of our delivery vehicles was caused largely by a desire to save only about $2 billion. Now, however, I learn that in your FY 1984 Defense Budget you are planning to severely reduce Trident I SLBM production, and cut out entirely Air-Launched Cruise Missile production. These new cuts in our only strategic weapons currently in production save only about $529.4 million. You are thus unilaterally deactivating our most powerful existing strategic forces, while also cutting back our only weapons currently in production. Meanwhile, our MX ICBM has been cut back, and is in limbo, and we won't get our first operational B-1Bs until 1986. So an Administration which promised to close the window of vulnerability is actually opening it even wider by cutting old and new forces, while allowing itself to be unjustly accused of enacting an enormous strategic buildup.

a. Why is this allowed to happen?

b. What are the arms control implications of these U.S. unilateral deactivations and unilateral cutbacks? (Trident I cut: 62 missiles in FY 1983 to 52 missiles in FY 1984 (2 boats worth))

Answer: Allow me to first note that the decisions to retire the Titan ICBMs and B-52D strategic bombers, as well as to continue the retirement of the Polaris submarines, were not based solely or exclusively on fiscal considerations. Rather, these three weapons systems represent the oldest systems of their respective legs of the Triad, and are generally considered obsolescent. Specifically, the Titans, because of their unique silo construction, are more vulnerable than Minuteman and their lack of accuracy limits their operational employment. Additionally, the lack of spare Titan missiles has precluded operational testing thus raising questions regarding their continued reliability which further compounds concern as to their safety.

The B-52D is the least effective bomber in the strategic mission. It cannot carry SRAMs or ALCMs, and it would be very expensive to modify the aircraft to carry either. It has considerably less ability to penetrate Soviet airspace at low altitude than the newer B-52G and B-52H models, and its ECM suite is well behind the Soviet threat. The B-52Ds, therefore, carry smaller and less flexible (gravity bombs only) weapons load than any other bomber, and are much less effective in delivering them.

The Polaris, our original strategic nuclear submarines, are nearing the end of their operational life and have been far surpassed, in terms of weapon range and effectiveness, by the technology of the Poseidon and Trident submarines and missile system. Additionally, the retirement of the Polaris submarines compensates, in the arms control context, for our deployment of Trident ships, thus adhering to the President's interim constraints policy.

Regarding the Trident I (C-4) SLBM and the air-launched cruise missile (ALCM), I would like to take this opportunity to set the record straight. We are reducing the procurement of the Trident I missiles because we have decided, in sharp contrast to the previous Administration, to introduce the more accurate and effective

Trident II (D-5) missiles beginning in 1989. As a result of this decision to further enhance the effectiveness of our sea-based deterrent forces, we will not need as many C-4 missiles as previously projected. Put differently, we will not have available launchers for the Trident I missiles in question and we do not plan to procure such systems in order to warehouse them.

DoD plans to produce and deploy the current generation ALCMs (ALCM-B Tomahawks and GLCMS) through the late 1980s. These cruise missiles are assessed to be extremely effective against the current Soviet threat and we are confident in their ability to perform their mission. Given the possibility that new Soviet surface-to-air missiles and interceptor aircraft with a look-down, shoot-down capability may be deployed against the current generation of U.S. cruise missiles, we are examining enhancements for these cruise missiles to improve their survivability and hence preserve their deterrent value.

In addition, the Air Force is currently evaluating proposals to develop a subsonic Advanced Cruise Missile (ACM) which will take advantage of advanced technology to further compound the problem that the Soviets face in attempting to counter the current generation of cruise missiles. An important reason for the ACM is that it will have somewhat greater range than the current generation ALCM. This would enhance the survivability of the bombers carrying these cruise missiles.

Finally, these decisions are part of the President's overall strategic modernization program. Our goal has been and remains the integrated modernization of our strategic forces and their associated command, control and communications systems. To that end, we have and will continue to work with the Congress on the issue of the Peacekeeper ICBM which we need to deploy as soon as possible in order to stabilize the strategic balance. Only with the realization of the integrated and synergistically inter-related strategic modernization program can be assured the viability of deterrence into the next century.

In conclusion, Senator, it seems clear that military considerations were the primary reasons which guided us in making the decisions to which you referred. The savings which we realize through the retirement of older systems is, of course, welcome, and constitutes an element of our overall effort to insure effective utilization of national resources. We will continue to take every step possible to insure both an effective and efficient defense of our nation.

Budget Reductions

SENATOR SYMMS: Secretary Weinberger, as you know, the Reagan Defense Budget for FY 1984 is right at the FY 1984 projection made in the FY 1983 Budget Resolution last year. This level was agreed to as part of the White House-Congressional negotiations on reaching a spending ceiling for FY 1984. The White House has lived up to its part of the agreement by submitting a FY 1984 Defense Budget at the level agreed to in the FY 1983 Budget Resolution. Congress also agreed last year in its vote on the FY 1983 Budget Resolution to a $25 billion increase in defense for FY 1984. Congress is thus already on record in favor of increasing the Defense Budget from FY 1983 to FY 1984. How do you explain the clamor in Congress now to instead cut defense?

ANSWER: It is true that the FY 1984 Defense Budget request of $273.4 billion in Budget Authority is close to the FY 1984 projection made in the FY 1983 Budget Resolution last year. There appears to be some interest in Congress to cut the defense budget for FY 1984. The foremost reason is not due to an easing of international tensions or a lessening of a military threat, but rather inspired by a call for even further federal fiscal constraint. I have noted on several occasions that the level of defense spending should be determined based on an assessment of military need as measured by the military threat rather than by a presented percentage of growth or some other arbitrary means. Defense has shared, in part, budget reductions and we will continue in the future to seek additional means to achieve economies and efficiencies.

Senator Symms: What are the economic implications for the U.S. domestic economy of permanent military inferiority to the Soviets in terms of U.S. access to foreign raw materials, markets, and trade routes?

Answer: Our defense program has as one of its objectives the protection of ecnomic resources. The expansion of our Navy in particular is designed to protect our access to sources of raw materials and markets and the lines of communication between the United States and these regions. Without the security afforded by our military forces, the United States stands to lose the advantages of international trade which has created millions of jobs and greatly increased our economic well being. We could not maintain our standard of living, or for that matter our security, without access to the resources of the world, a number of which can only be obtained from foreign sources. Denial of access to materials and markets is at one extreme of the threat presented by military inferiority. We must also guard against threats and intimidations that could restrict our access to markets and resources. To counter these threats we must demonstrate by our actions that we will never allow any country to gain and maintain military superiority over the United States.

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Senator Symms: My question to you, Mr. Secretary, related to the unprecedented magnitude of the Soviet threat. Can the Senate continue to allow uncontrolled social spending entitlement programs to prevent us from our fundamental obligations to defend America from the ever more formidable Soviet threat? Can our defense needs really be budgeted, or are they an independent variable?

Answer: The defense program is not independent of our other national programs, but, fundamentally, each is driven by different factors. Defense requirements are driven by our interests and international obligations, recognizing economic limitations and political constraints. Because of past neglect our defense requirements are great. To correct the shortfalls we have recommended a responsible program that attempts to correct our near-term problems first while we begin modernizing our forces to meet future threats. Defense spending, as you recognize, is a significant but still minor percentage of the federal budget. Entitlement programs meet different national responsibilities, but like defense, must be compatible with economic realities. The Administration has proposed a responsible program that meets both defense and social spending needs, while ensuring our long-term security and economic well being.

Personnel Increases

SENATOR CHILES: Your budget includes a 38,000 increase in military end strength in 1984. In view of the planned expansion in all the services, I wonder if this isn't just the downpayment. I suspect there may be very large manpower increases, and I wonder where the extra manpower will come from given the declining number of eligible youth.

Secretary Weinberger, we have the budget totals for the five year defense program. What are the planned levels and growth in military and civilian end strength over the five year period, and what is their associated cost? And could you tell me if these costs are reflected in the budget estimate?

ANSWER: There are increases planned in military and civilian personnel end-strengths over the five year period. The increase in military end-strength will provide the additional manpower for new ships for the Navy, the expansion of Air Force fighter wings, and for more manpower intensive divisions for the Army. There are lesser increases planned for civilian personnel. These increases are necessary to provide support for the modernization of our military forces. The average increase in military end-strength from FY 1984 through FY 1988 is about 36,000 each year. The average increase for civilian personnel for the same period is less than 7,000 each year. The budget estimates through the current five year program include the payroll and associated costs of additional personnel, including an estimate for future pay raises.

Questions From Senator Riegle

How will increased defense spending cure current economic problems?

Question: You have indicated that cutting defense spending will hurt the economy. Please explain how sharply increased defense spending, as proposed in this budget, will help cure the economic problems we face.

Answer: We have not argued that the DoD budget should be used as a tool of economic stabilization. To the contrary, we believe that defense spending should be geared to the threats that we face and not to short-term economic conditions. We have maintained that at a time when the unemployment rate exceeds 10 percent and nearly one-third of our industrial capacity is idle, defense spending generates employment and that over the long-run the proposed defense buildup can be accomplished without creating serious macro-economic problems.

Employment Effects of Cutting DoD Procurement

Question: It seems to me that your argument that we should not cut defense spending because it will adversely affect employment is specious.

- Isn't it true that the bulk of the money we appropriate for procurement will be spent in future years, having an effect on employment in FY'85 and FY'86, with only a minimal effect on employment in FY'84?

- How can you say, then, that employment in FY'84 will be adversely affected by cuts in procurement?

Answer: Our estimates do, as the question implies, refer to the relationship between changes in DoD outlays (and not appropriations) in a given year and employment. However, cancelling a major weapons system that will go into full production in future years has implications for current employment that are not captured in our estimates. Instead of spending funds for capital equipment, hiring new workers, and placing orders for raw materials and intermediate products, contractors and the government would begin to close down such programs. Much of the funding of cancelled programs would then go to pay severance claims that do not provide new employment opportunities.

Effects of Defense Spending on the Deficit

Question: Much higher defense spending increases the deficit, especially in future years, adding to a debt which must be serviced at very high interest rates.

- Wouldn't it be in our better economic interest to cut defense spending, thereby promoting economic recovery and helping to relieve the pressure on higher interest rates?

Answer: Our studies have shown that a cut of $20 to $30 billion in outlays for defense in FY84 and FY85 would not change the rate of interest appreciably. The Data Resources Inc (DRI). macro-economic model of the U.S. shows that such a reduction would only reduce long-term interest rates by about 4 tenths of one percent by 1987. We estimate that each dollar cut from defense outlays reduces the budget deficit by only about 40 cents.

Were economic impacts evaluated in formulating the DoD budget?

Question: To what extent did the Administration evaluate the economic impact of the proposed military build-up when formulating this budget?

Answer: Macroeconomic impacts of defense spending are not evaluated in DoD's Planning, Programming, Budgeting System because, as stated above, we believe that the defense budget should be geared to the threats that we face and our commitments and not short-run economic conditions. However, DoD frequently conducts or sponsors studies of the economic impacts of defense spending. This work is done to inform senior DoD officials about economic questions associated with the defense program and to provide information to the Congress, industry and state and local government about planned defense spending in future years.

Effects of Defense Spending on the Inflation Rate

Question: The FY'83 Defense budget called for a tremendous increase in funding levels, especially in the procurement account. A very large portion of the procurement funds will be expended in the "out year" when, according to the Administration's economic projections, the economy will be vigorously expanding.

- As a result of these "out year" expenditures, will there not inevitably be a build-up of significant inflationary pressures in the 1983-1984 time frame as massive increases in defense expenditures coincide with a rapid expansion of the private sector?

Answer: Our studies with the DRI macro-economic model show that the proposed increase in defense spending will not increase the inflation rate significantly. The difference in the projected rate of increase in the GNP price deflator assuming the defense program proposed by the Administration and one that is reduced by about $30 billion per year is .1 of 1 percent per year over the period FY82 to FY87.

Military Pay Freeze

QUESTION: Mr. Weinberger, it is my understanding that you recommended that there be a military pay raise of 7.6% in your initial proposal to the President. It was reported that you resisted zeroing out that pay raise in he FY'84 Defense budget.

- Is that true?

If that is true, and if you did not agree with the President's decision to freeze military salaries, did you offer the President a list of lesser priority procurement items you would have been willing to forego in lieu of the salary freeze?

- If not, why not?

ANSWER: When the FY 1983 budget was prepared in February 1982, a military pay raise of 7.6 percent was projected for FY 1984 and the associated funds were set aside in an undistributed account within the DoD total topline for this purpose. The 7.6 percent was projected before it was known that the CPI would drop to 3 or 4 percent at an annual rate. Thus, had the Administration proposed a pay raise in FY 1984 instead of the pay freeze, there would have been consideration of a pay raise lower than 7.6 percent, and more in line with the actual increase in the Consumer Price Index (CPI). The Department of Defense did not recommend the pay freeze but understands that this is a necessary part of total federal fiscal constraint. We did not offer up a list of items to save the pay raise because we believed that our men and woman in uniform would understand the need for, and support, the one-year pay freeze, and that a further absorption of pay costs in FY 1984 would degrade readiness.

February 1982 CEA Report

Question: How do you reconcile your assessment with the warning in the President's Economic Report last year that sharply increased defense spending could well have these inflationary impacts.

Answer: The concerns expressed in the February 1982 Council of Economic Advisor's (CEA) Annual Report (pp. 85-87) were supported only by reference to the past and projected rates of increase in real purchases of defense durables. CEA had not examined the magnitudes of the demands that would be placed on various industries; the amount of capacity in these industries presently not utilized; and plans for expansion of capacity in defense and defense related industries. Studies of these topics undertaken by DoD, other government agencies, and private firms support our conclusion that the proposed increase in defense spending will not create widespread or extreme inflationary pressures in the defense industries during the next few years.

Military Pay Freeze

Question: Given the negative impact that previous pay lapses and the erosion of pay comparability has had on career force retention in the late 1970s, why do you think that the Administration's proposed pay freeze will not have the same effects?

Answer: The deletion of the annual pay raise in FY 1984 was not an easy decision. It is realized that there might be some adverse impact on retention. Having sized our budget request to take into account this deletion, military manpower requirements should be met. A combination of factors are important. First, the nation has rallied behind the President, and it is believed that the resulting increased awareness and appreciation on the part of the American people for our young men and women in uniform will continue. Second, with the strong backing of the President, and with the help of the Congress, the course of earlier downtrends through more competitive compensation and increased reenlistment resources has been reversed. Despite the effect of the deletion of the pay raise this year, these positive trends are expected to continue. Third, there has been a recessionary economy. It is hard to tell exactly how much each factor has contributed, but the net result of all the factors is increased retention. Fourth, it has been made clear to military personnel that there is a tentative plan for a military pay raise of 6.1 percent for FY 1985 plus a contingency for military pay and benefits, should it be necessary in order to achieve critical manpower requirements. As the economy improves, with continued strong support of the American people and congressional approval of the compensation, recruiting and retention requests in the budget, continued success is expected.

Comparative rates of inflation

Question: To what extent will the budget, as proposed, create inflation in the defense area above that in the general marketplace, by providing more money and more programs than can be absorbed within the industries needed for defense production?

Answer: The available evidence indicates that capacity in place in the defense industries and planned expansions are sufficient to accommodate the proposed increases in defense spending without creating widespread, extreme inflationary pressures in these industries.

Military Pay Freeze

Question: If you are willing to restore full comparability in the FY'85 DOD Budget, what is the fiscal sense of a freeze in FY'84 when outlays to "catch up" will eventually be required anyway?

Answer: We are not sure at this point that a pay level or a benefits package above the 6.1 percent comparability level already programed for FY 1985 will become necessary. If it does, we will certainly recommend it and we believe that the Administration would seek a pay raise for the military in FY 1984 if there was some evidence of reduced readiness or threat to overall improvements in manning of the force.

Updated Economies and Efficiencies

Senator Riegle: Constant reference has been made to the programs that have been cut by this Administration in the interest of paring down the size of the budget, trimming the funding request to the bare essentials. On page 13 of your testimony, you indicate that "over 100 marginal weapons or equipment programs have been eliminated, reduced or merged."

A. - Since last year when you announced the savings connected with the 60 marginal weapons programs, what other marginal programs have been killed or significantly reduced?

- Please provide a detailed list by program line item, along with the dollar savings between FY'84 and FY'88.

B. Why is it that each time your produce a list of terminated programs, (such as the list of 60 programs cut last February), most are obscure programs, unfamiliar to most people?

C. Why are no major weapons programs included?

Answer: We are now completing our updated Economies and Efficiencies package which includes an exhibit on cancellation/ reduction of marginal programs. We expect to formally issue the package within the next two weeks. In summary, we have cumulatively cancelled or reduced 124 projects/programs at a savings of $8.8 billion. Regarding your observation that most of the cancelled programs are not household names, we are constantly assessing the contribution of each of our 900 R&D programs and if we do our management job properly, we cancel or reorient programs before they become major development efforts.

Effect of US Defense Expenditures on Soviet Behavior

Question: Why do you believe that the expenditure of $1.6 trillion for defense over the next five years will deter the U.S.S.R from taking actions to prevent its Warsaw Pact allies from moving closer to the West, or becoming more democratic, such as the recent Solidarity movement in Poland?

Answer: Increased US Defense expenditures can have an indirect, marginal impact on Soviet behavior toward movements for greater independence or personal liberty within the Warsaw Pact countries. Whenever, in Soviet eyes, such movements become strong enough to threaten Soviet domination of the area, Soviet leaders must take account of possible US and NATO reactions to further suppression of the popular desire for freedom and self-determination. Stronger and more flexible US military forces, maintained in a higher state of readiness, would weigh more heavily in such Soviet calculations.

Defense Spending

Senator Riegle: Mr. Secretary, why is so much emphasis being placed on comparing U.S. defense spending with that of the Soviet Union?

Answer: Assessing the military balance between the U.S. and USSR is a complex and uncertain undertaking. Comparing the overall aggregate defense programs provides some unique insights. First, assessments of the dollar cost of Soviet defense spending helps us track the aggregate level of all Soviet defense related activities, i.e., it lets us compare their total level of effort in 1970 with their effort in 1980. Second, assessments of the ruble cost of Soviet defense spending help us understand what portion of their GNP is devoted to military programs, i.e., it helps us to estimate their defense burden and to compare it to our own. Finally, a comparison of the U.S. and the Soviets military investment programs helps us understand the cumulative effects of different levels of defense spending over time. The differences between the two nations in the area of military investment in weapons, installations, and R&D are dramatic.

QUESTION: Do you feel that increased defense spending is more effective than prudent expenditures of lesser amounts than have been proposed in the Administration's FY 84 defense budget?

ANSWER: Expenditures of lesser amounts than proposed in the FY 84 defense budget would be neither prudent nor wise. There is no magical way we can correct the accumulated neglect of our defenses without increasing defense expenditures. We are committed, however, to keeping the increases to the absolutely lowest level compatible with our security requirements. Thus, we have carefully assessed the threat, our interests and our international commitments and refined our strategy. Each program is analyzed in terms of its contribution to our security and its ability to fulfill a valid military requirement. The review process for weapon system procurement has been modified to ensure accurate cost estimates and effective cost control and the continued ability of the weapon system to meet a valid need.

When President Reagan came into office he found a military force woefully prepared to meet potential threats, with the morale of our forces at an unacceptably low level. Our inadequacies to meet current threats were matched by the underfunding of modernization programs needed to meet future threats. With the support of the Congress, we have turned the corner and have begun the lengthy process of rebuilding our defenses. Morale is high, training is more extensive and realistic, supplies and spare parts are flowing into our inventories and the programs necessary to ensure our security against future threats are adequately funded. We cannot correct all our force shortfalls overnight. Our program, based on stable real growth in defense spending, meets the tests of prudence and responsibility.

US vs. Soviet Defense Spending

QUESTION: Why is so much emphasis being placed on comparing US defense spending with that of the Soviet Union?

ANSWER: Our defense effort, particularly over the last decade, has not taken sufficient account of the continuing increase in the military capabilities of the Soviet Union and of the Soviets' willingness to use superior military strength or the threat of it to further their foreign policy goals. Successful conduct of our foreign policy also requires protection against other dangers, for some threats arise independently of the Soviet Union. But more often than not, the magnitude and persistence of these other threats and our difficulties in countering them are greatly aggravated by Soviet policies, backed by the expanding reach of Soviet military power.

QUESTION: Do you feel that increased defense spending is more effective than prudent expenditures of lesser amounts than have been proposed in the Administration's FY 1984 defense budget?

ANSWER: We believe the increases in defense spending that have been requested are necessary to ensure our military security and therefore are prudent.

START

Senator Riegle: How does the Administration reconcile these seemingly disparate trends in strategic policy (i.e., between calling for radical reductions and "procurement of major additions to U.S. force posture")?

Anwswer: The modernization program and our START negotiating posture are not incompatible, and indeed they are complementary. Together they ensure a more survivable and more credible deterrent at the lowest possible force levels, and the modernization program also gives the Soviets an incentive to negotiate a fair arms control treaty. Our START proposal accommodates the modernization program and seeks very deep reductions in ballistic missile warheads through elimination, without full replacement, of older weapons. Not only is modernization essential to the adequacy of our deterrent but it in fact allows us to make deep reductions safely. If reductions were to occur under current force structures, the Soviets would be able to eliminate their older systems and retain a quite modern and highly potent arsensal, whereas the U.S., even after culling out its oldest and least capable weapons, would be left with systems which would remain far older than those of the Soviets, many of them highly vulnerable to the newest Soviet weapons. Under such circumstances, given fewer U.S. targets with lesser survivability and decreased U.S. strategic flexibility, reductions could be both highly destablizing and highly advantageous to the Soviets.

Senator Riegle: What strategic goals does the Administration hope to achieve through negotiated reductions?

Answer: Our most important goal is to increase strategic stability and thus lessen the possibility that nuclear war may occur. This can be accomplished primarily by reducing the incentive to strike first either during an escalating crisis or because one side believes it has useable superiority and therefore deliberately behaves more aggressively. This goal requires that force structures minimize the number of weapons vulnerable to a first strike, since this situation may encourage preemption or launch on tactical warning during a crisis. It also requires parity in nuclear forces, to deny confidence that one side could retain a military edge sufficient to induce enemy surrender through nuclear war, especially in conjunction with a first strike, or to dominate global politics. Both our negotiating proposal and our modernization program aim primarily to achieve these strategic goals.

We also strive to reduce strategic arms competition. We recognize that such competition has its roots in political factors, and that unexpected technological developments can upset the best of plans. Within these constraints, however, we believe that equitable and stabilizing agreements can help curtail new deployments because they limit opportunities to affect the strategic balance in a meaningful way. Competition may be limited quantitatively, and qualitative improvements may be channeled, as far as possible, in stabilizing directions. Improved treaty language and verification provisions also could increase greatly the effectiveness of treaty provisions and reduce incentives for new deployments by minimizing uncertainties regarding the adequacy of one's forces.

Finally, we aim to reduce the potential destructiveness of the nuclear arsenal. The U.S. proposal seeks to limit this potential not only by severe reductions in deployed ballistic missiles and their warheads, but also by reductions in throw-weight and other measures.

Senator Riegle: Is the current program of strategic force additions and improvements meant to be judged on its own terms, or is it a device for forcing the Soviet Union to accept negotiated reductions?

Answer: Our modernization program is designed to assure an effective deterrent and it also gives the Soviets an incentive to negotiate equitable arms reductions. The Administration always has contended that our strategic forces must be modernized so that they are as survivable and as capable in all respects as those of the Soviets, and we have shown in detail why from this perspective all three legs of the Triad must be updated. We have never intended to "bargain away" this modernization program; however, it is to be accommodated within the reduced ceiling established by our proposal. We do intend to deploy the newer systems because they are essential to deterrence.

This situation may be contrasted with that of the INF talks, where the Soviet threat would be so reduced under the zero-zero proposal that the Pershing II and GLCM would no longer be required. We would be willing to give up all of them if the Soviets would agree to complete elimination of the SS-20 missiles which necessitated PII and GLCM deployment. On the strategic level, however, our START proposal alone cannot correct some of the asymmetries and deficiencies that exist today and would worsen with time: Soviet air defense systems will be upgraded, the remaining Soviet ICBMs would retain their counterforce capabilties, our ICBMs and bombers at their bases would remain highly vulnerable, our Poseidon submarines will be reaching the end of their useful life and our command & control facilities must be made more reliable and survivable. Therefore, substantial modernization will be required in any case. Our goal is a much smaller overall force structure than allowed under SALT II, but one which has been modernized to provide the necessary core of a reliable deterrent able to withstand present and future challenges.

At the same time the very pursuit of this program--the capabilities it embodies and the motives behind it--gives the Soviets incentive to reach an equitable agreement. We wish the Soviets to understand that we would prefer to modernize our forces in the context of a START agreement which incorporates parity at the lowest possible levels of strategic arms, but that in the absence of an agreement we must modernize and seek parity in any case. The Soviets realize that with our superior technological capability and our much greater economic resources we would be able to do this more easily than they would be able to maintain superiority. It is therefore in the Soviet interest, as well as in our own, to conclude an agreement that enhances strategic stability at agreed, equal and substantially reduced levels of arms.

Senator Riegle: Which programs, if any, might be sacrificed as "bargaining chips" in the course of the negotiations?

Answer: Please see the answer to the previous question.

Senator Riegle: What, in your view is the appropriate relationship between START and the Administration's defense program?

Answer: Both arms control and defense modernization programs are meant to improve our security, and arms control aims to reassure the Soviet Union as to its own security as well. We would like to carry out our modernization program within a framework of negotiated arms control; whether we will be able to do so depends upon the Soviets, and particularly upon whether they believe they will be better off accepting an equitable agreement or gambling that they can achieve decisive superiority without one.

Senator Riegle: Can the United States hope to get a meaningful agreement with the Soviet Union under current strategic conditions, or must it wait until U.S. deficiencies have been corrected?

Answer: Traditionally the Soviets have advanced proposals designed to constrain U.S. systems while protecting their own programs and advantages. Whether they will depart from this pattern depends on their motives and their assessment of the US political situation. If they believe there is a good chance that the modernization program will not be adopted and then fully implemented, they are unlikely voluntarily to sacrifice present and pending strategic advantages, which have been purchased at great cost to Soviet society. This is particularly true if they believe that public pressure on Western governments to accept even ill-conceived arms control agreements can be exploited to codify those advantages. However, If domestic and world events indicate a solidifying of support for U.S. strategic modernization, the Soviets may not await full deployment before negotiating the details of a fair treaty, in order to forestall Western momentum and to constrain U.S. deployments within treaty limits. Indeed, we believe the determined implementation of U.S. programs can create that incentive.

Senator Riegle: How much bargaining leverage does the U.S. have at this time?

Answer: The U.S. has tremendous intrinsic leverage due to its far greater economic capability and its technological sophistication, for which the Sovietes have considerable respect. To this must be added the resources of the other industrialized Western nations: the West's combined material capability must indeed present a bleak prospect to any Soviet official seeking sustained superiority. At this particular time, however, the Soviets may well hope that the West, at least in the critical short term, lacks the will to implement needed defense measures. Soviet propaganda, which refers constantly to anti-nuclear and pro-freeze groups in Western Europe and in the United States, may indicate a Soviet hope that these and other domestic pressures will undermine U.S. determination to achieve real parity or cause the U.S. to limit its strategic modernization program even in the absence of an agreement or of any reciprocal restraint by the Soviet Union. Therefore, it is crucial that we proceed with our modernization program not only because it is militarily essential but also because it provides leverage essential to achievement of fair and beneficial arms control treaties.

Procurement

Senator Riegle: The Administration is committed to substantial increases in expenditures for military hardware. There is evidence to suggest, however, that at least some of the American military's hardware deficiencies can be attributed less to inadequate funding than to a research and development strategy that stresses state-of-the-art technical proficiency over timely development of new weapons systems, holding down unit cost, and improving battlefield reliability.

a. Is it your view that such a problem exists, and, if so, can throwing more money at the problem solve it?

b. What can be done to reform a system that appears to be institutionally committed to producing fewer and fewer, more sophisticated, but less reliable, weapons at ever greater cost.

Answer: Senator, we try to strike a balance between meeting the near term need to get more equipment to the field and the long term need to develop systems that will meet the threat of the late 1980s and early 1990s. Within the resources allotted to national security, we spend an enormous amount of time and attention to balancing near term, mid term and long term requirements and dividing the defense pie so that none of these needs are ignored. That analysis sometimes produces an answer that dictates sophistication and sometimes dictates large quantities of relatively simple weapons. In both cases, however, we try to ensure reliability and maintainability because we know that the value of all weapons is dependent on these qualities.

Military Retirement System

Senator Riegle: Do you plan to adjust the military retirement system to reflect the changing technological demands placed on career military manpower and the increased health and vigor of persons in "middle age" compared to their counterparts of a generation or more ago?

Answer: Recognizing the importance of the military retirement system to the management of the force and the men and women serving in uniform, the President has directed the Fifth Quadrennial Review of Military Compensation to examine the present retirement system. This Department of Defense effort is assessing the system as to how it complements our defense requirements and supports force management, as the President directed. The recommendations for any necessary changes will be reported to the President, together with proposed legislation, if necessary.

Program Urgency

Senator Riegle: Why is the Administration in such haste to deploy a missile system which:

1) Has yet to demonstrate operational reliability;
2) Has received only luke-warm to cold support from NATO allies it is theoretically designed to protect;
3) Does not even approach balancing, numerically, the Soviet SS-20s which it is supposed to deter.

Answer: A decision was made collectively by the members of NATO in 1979 to deploy an extended range Pershing as part of a dual track effort to counter ongoing deployments of the Soviet SS-20. The planned modernization of the Pershing I missile was adjusted to provide that extended range capability. The other half of the dual track effort was to negotiate the elimination of the entire class of intermediate range missiles from Europe. Those negotiations are underway in Geneva. Deployment of Pershing II on the planned schedule is vitally important to providing substance behind our negotiating positions and to increase chances of success in the talks. Elimination of the entire class of missiles is far more important than the numerical balance of SS-20's and other systems.

PII Weapon System Class

Senator Riegle: Why does the Administration continue to refer to the Pershing II as a "theatre" nuclear weapon, when, in fact, it is capable of striking military and civilian targets within the USSR within 10 minutes of being launched? Doesn't this capability justify the Soviet attitude that the Pershing II could well serve as a first strike weapon to destroy its western military command centers? Is this not a strategic capability?

Answer: NATO force capability is divided into the three categories of conventional, theater nuclear, and strategic nuclear forces. The Pershing II system is being deployed to enhance the deterrent capability of the theater nuclear component by countering the SS-20 and by holding at risk time sensitive targets posing a critical threat to NATO. Arms control negotiations with the Soviets have for several years been based on the narrow definition of strategic forces to mean missiles and warheads capable of ranging between the US and the USSR, of being launched from modern submarines, or of being delivered by heavy bombers. Both the Pershing II and the system it is intended to counter, the SS-20, are classified as Longer Range Intermediate Range Nuclear Forces (LRINF) which are, in the arms limitation negotiations with the Soviets, non-strategic systems.

PII Cost Sharing

Senator Riegle: If NATO Allied governments support the development and deployment of the Pershing II and would, theoretically, be the primary beneficiaries of its nuclear deterrent "umbrella", why is the US paying the full program cost?

Answer: The Pershing II system is uniquely part of the US military forces committed to NATO and is the responsibility of the US to develop. The NATO Allies will share in the support for Pershing II basing.

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CVNS 71, 72 and 73

Senator Riegle: With Carl Vinson CVN 70 commissioned last year, the Navy has 13 operational carriers (not counting the carrier in SLEP overhaul and the training carrier Lexington). The CVNs 71, 72 and 73 will join the fleet in 1987, 1989 and 1991, respectively, and Lexington, Coral Sea and Midway are now due for retirement. If the three carriers under construction, in effect, take the pace of these three old carriers, the Navy will have only 13 carriers in the fleet by 1991. The stated goal of the fleet expansion program is 15 battle groups.

Will the CVNs 71, 72, and 73 replace the three old carriers, or do you plan to retain at least two of them to give the fleet its 15 carrier battle groups?

When do you anticipate the next request for a nuclear powered carrier?

Answer: USS THEODORE ROOSEVELT (CVN-71), under construction now, is scheduled for delivery in late 1986 and represents the 14th deployable carrier. CVN-72 and CVN-73, which were authorized last year and are now under contract and construction, will deliver in late 1989 and 1991 respectively. Provided Coral Sea and Midway are extended in active service CVN-72 would represent the 15th deployable carrier and CVN-73 would replace CORAL SEA. CORAL SEA could then replace LEXINGTON as the training carrier permitting LEXINGTON to be inactivated. Under this plan, 15 deployable carriers would be attained by late calendar year 1989, and with the service life extension program (SLEP) for our older carriers, 15 deployable carriers would be maintained beyond the year 2000. Construction of new carriers would be required commencing in the early to mid 1990s to replace MIDWAY and the FORRESTAL class carriers.

NAVAL FLEET

Senator Riegle: Since there seems to be little likelihood of our sustaining 15 carriers into the 1990s, do we need all the ships in the 5-year shipbuilding program, or can we afford to stretch out the purchase of those ships that support the carriers - (for example, can we defer some of the AEGIS cruisers?)?

Answer: As you know, with Congressional support we have worked diligently in recent years toward the goal of a 600 ship Navy. The concept of the 600 ship Navy is based on a discreet mix of ships evolved from the requirement for a balanced warfighting capability against a three-dimensional threat, and fleet expansion to 15 carrier battle groups is integral in achieving the force warfighting capability both to fight and win now, and also to defeat the projected threat of the 1990s and beyond. Congressional appropriations of funding for two more highly capable NIMITZ class nuclear carriers in the 1983 budget, coupled with the carrier service life extension program (SLEP), will enable us to reach and maintain our planned goal of 15 carriers through the turn of the century. In regards to those ships which support the carriers in the high threat environments, the Navy's force level requirement is 100 AAW capable battle group combatants. The current and projected shortfall in battle group AAW capability is one of the most significant issues facing Navy planners today. Block obsolescence of many guided missile destroyers and cruisers in the early 1990s will erode force gains resulting from the introduction of the CG 47 class AEGIS cruisers. In order to retain assets, we are currently modernizing and upgrading the combat capability of many of those older guided missile destroyers and cruisers where it is cost effective to do so; however, other combatants have become so manpower and maintenance intensive, and their combat systems have so aged that they are no longer effective against the threat. Consequently, they do not contribute to the mix of battle group capable combatants required. For this reason the capability inherent in the CG 47 class is required now within the carrier battle group. Authorization for the lead DDG 51 in FY-1985 is also necessary because it is the replacement for those older guided missile destroyers reaching the end of their useful service lives in the 1990s. Building to the required balance of CG 47 and DDG 51 class ships to support the 15 carrier battle groups insures our naval forces of having the necessary warfighting capability against the expanding threat of the 1990s by increasing battle group flexibility, distributive offense, firepower volume and survivability.

BATTLESHIPS - QUESTION FOR THE RECORD

The stated purpose of recommissioning the Battleships is to provide additional separately-deployable fleet groupings to relieve some of the deployment burdens from our carrier force. Because an unmodified World War II battleship is hardly able to perform as the centerpiece of a separately-deployable fleet grouping, the planned reactivation included the installation of some HARPOON and TOMAHAWK missile launchers, and some point defense weapons for last ditch defense against missiles. A plan for further modifications to include a large number of additional surface-to-surface missiles and, possibly, some VSTOL aircraft handling facilities, has apparently been dropped.

Senator Riegle: Has the plan to expand the missile magazines and to add the VSTOL handling facility to the battleships been dropped?

Answer: Planning for follow-on modernization of the battleship is continuing. Included within the alternatives being evaluated for cost and feasibility are ones which would include VSTOL capability and/or increased missile capability.

BATTLESHIPS - QUESTION FOR THE RECORD

Senator Riegle: Critics do not consider the 32 TOMAHAWK and 16 HARPOON cruise missiles a sufficiently large addition to the battleship to make it independently deployable as the centerpiece of a surface action group. They believe that smaller, less excessive ships could carry the same armament at far less cost. Can you justify the reactivation of these ships, which have never survived an austere budget climate over the past 35 years, in light of the unlikelihood they will survive the budget knife long enough to amortize the cost of reactivating them?

Answer: The battleship reactivation program has already placed USS NEW JERSEY (BB 62) in commission for the equivalent cost of a new frigate and has done so in less time than would have been required to construct the frigate. In this context, the Navy has added an extremely capable surface combatant to its operating force more quickly than would have been possible through any other available means.

In terms of warfighting capability, no ship either in the U.S. inventory or, for that matter, any other navy in the world today combines the firepower and survivability which is resident in the battleship. For example, her 16-inch guns are capable of delivering 803 tons of ordnance on a target complex over a 30 minute period in support of amphibious operations. By comparison, it would require the equivalent of 19 SPRUANCE class destroyers to deliver the same tonnage in the same period but at reduced range and lethality. The introduction of the HARPOON cruise missile adds a significant stand-off capability in support of the Navy's anti-surface ship mission while TOMAHAWK will provide extended reach against surface ships as well as offer a conventional land attack capability against selected land targets. The introduction of a nuclear land attack cruise missile in the near future will further contribute to these ships deterrent capability. No other single surface combatant in the U. S. inventory today, or planned for the future, regardless of size, could carry or will combine the virtues of the 16-inch gun and the long range strike capability which is embodied in USS NEW JERSEY today and IOWA in the very near future.

While it is true that the introduction of the Vertical Launch System (VLS) in TICONDEROGA class cruisers, SPRUANCE and ARLEIGH BURKE class destroyers, beginning in 1988, will add significant firepower and flexibility to the fleet, the essential point, and one frequently overlooked, is the three dimensional threat and multi-mission tasks that must be performed by these ships. To perform them effectively today and for the foreseeable future will require the enormous capability of the AEGIS system in the anti-air warfare environment in partnership with modern anti-submarine warfare systems and the introduction of both HARPOON and TOMAHAWK cruise missiles supporting anti-surface ship and strike warfare tasks. No one ship combines the best capability across the continuum of warfare tasks assigned but by combining platform capabilities within the context of a surface action group or

carrier battle group it is possible through this synergism to maximize the warfighting capability available. The battleship as the centerpiece of a surface action group provides, in part, the incremental capability and flexibility required. The Navy believes the four battleships will make an important and needed near term and continued contribution to our requirements well into the next decade and beyond. They are cost effective ships for the missions assigned.

BATTLESHIPS - QUESTIONS FOR THE RECORD

Senator Riegle: Battleships are supposed to be especially valuable as fire support ships for Marines in amphibious assault. However, we have never before maintained them on active duty in peace time for this purpose. What has changed to warrant bringing them back during peacetime now?

Answer: The mission of the Navy is to serve as a deterrent force and, should deterrence fail, to be prepared to conduct prompt and sustained combat operatons wherever needed in support of national objectives. Since World War Two, the Navy has been called upon in better than one hundred instances to respond to crises. In every case, it answered the call - however, we had to come with those forces we had at that moment. Since the timing of a crisis is not ours to unilaterally choose, the forces we need in crises must be available in peacetime and ready to fight and win. Within this context, we currently support a three ocean commitment with a one and a half ocean Navy which in effect serves to spread our current warfighting capability and therefore our deterrent potential dangerously thin throughout the world.

The reactivation of the battleships provides near term improvement in this deterrent posture as well as our warfighting capability.

These ships provide highly offensive, survivable platforms that are fully capable of effectively supporting amphibious incursions anywhere in the world as one of their missions. They are readily available at a reasonable cost to provide a partial near term solution supporting the Navy's multi-mission tasks. The decision to reactivate the battleships is a prudent and fiscally responsible course of action considering the immediate needs in meeting and accomplishing this country's national interests.

NAVY - SHIP LEASING

Senator Riegle: There have been articles and editorials in the press lately criticizing the Navy's plan to lease ships for the maritime prepositioning mission in the Indian Ocean. Criticisms boil down to:

a. The charter route to ship acquisition bypasses Congressional oversight.

b. Charter fees will come out of the Navy's O&M appropriation which is intended to support readiness, but which is chronically underfunded. Using readiness funds to pay charter fees is bound to reduce readiness.

c. Navy studies that show charter and convert to be the most economical way to acquire the ships are biased. When tax expenditures are accurately estimated, the cost to the government of the charters will be greater.

d. Rented ships will probably not perform as well in the war zone as would Navy-owned ships.

e. The contracting procedures used for this program have left enough loopholes that the buy-American provisions of the laws have been circumvented and U.S. suppliers and contractors have lost out in the competition to foreign interests subsidized by their governments.

Please respond to each of the criticisms listed above.

a. There were no formal Congressional oversigt procedures established until the DoD Authorization Act, 1983(Section 303). Prior to that Act, the Navy cutomarily provided informal briefings to at least the House and Senate Armed Services Committees. In accordance with Section 303, the Navy provided comprehensive formal reports and a number of briefings to the Armed Services and Appropriations Committees of the House and Senate for the TAKX and T-5 tanker replacement programs before finalizing awards.

b. Ocean transportation services are an integral component of readiness. Charter hire costs for such services have been funded out of DoD O&M appropriations for 30 years and are included in the DoD five year plan.

c. The Joint Committee on Taxation (JCT) staff reports assumes that substantially the same ships would be obtained on the same time table whether they were leased or purchased. However, in their FY1981 reports, the HAC and SAC, strongly suggested that the Navy accelerate the program, and recognize that this might involve chartering. Compared to the slower program presented by the Navy in FY1981, internal Navy estimate- are that the accelerated program saves the government an average of $35 million. These savings have their roots in the fact that a larger number of ships was procured in favorable circumstances due to depresses conditions in the ship building industries and the maritime trades.

NAVY - SHIP LEASING

The JCT report in effect argues that we could do even better now by converting the charters to purchases as the ships are built or conversions completed. This is no criticism of the Navy's program, since the opportunity to buy on favorable terms was created by the Navy's acceleration of the program through the leasing mechanism.

d. In the last three wars, the U.S. Armed Forces have successfully relied on the U.S. Merchant Marine for the vast majority of their ocean transportation needs in war zones. History has proven time and time again that American seamen will respond and perform admirably in crisis or war. Practically all of the cargo sent from the U.S. to support the Korean war was carried by U.S. flag ships, and an estimated 97 percent of all the war material and supplies to Vietnam went in U.S. flag ships. It was General Eisenhower who, in 1944, expressed the military's dependence upon U.S. shipping: "When final victory is ours, there is no organization that will share its credit more deservedly than the American Merchant Marine."

e. Although the Buy American Act provisions were not applicable to these transportation service contracts, there are other laws and regulations such as the United States Coast Guard standards for a documented U.S. flag vessel eligible for U.S. coastwise trade (Jones Act trade) that drastically limited the foreign content of any of the ships. In fact, the standard Buy American provisions would have permitted a much greated percentage of foreign source components than is actually abeing utilized by any of the contractors.

Tactical Aviation

Senator Riegle: The Administration's budget projections in the area of tactical aviation do not appear to match its rhetoric about building up conventional capabilities to meet multiple threats simultaneously while embarking upon an ambitious expansion of strategic weaponry. The problem of declining numbers of ever-more sophisticated aircraft and TACAIR weapon systems has clearly not been corrected during the past two years. In the late 1970s, DoD officials held that annual procurements of some 250 Air Force and 180 Navy/Marine Corps fighter/attack planes were needed to offset the effects of peacetime attrition and aging of aircraft inventories, to allow the maintenance of existing force levels. The proposed FY '84 defense budget would buy considerably fewer such aircraft (168 Air Force and 152 Navy/Marine tactical aircraft, according to Secretary Weinberger's statement).

Answer: The present plan for tactical aircraft procurement is satisfactory to support projected future force structure increases. It is true that DoD statements made during the late 1970s identified a need for an annual procurement rate of about 250 Air Force and 180 Navy/Marine Corps tactical aircraft in order to sustain force levels indefinitely. Note, however, that those numbers of aircraft represent average annual rates over 20 to 30 years' time. Thus they do not reflect "peaks and valleys" in production actually experienced due to the phasing in and out of production programs, losses, etc. The U.S. funded high annual production rates of tactical fighters during the Vietnam War (e.g., about 1250 fighters procured in FY 1966) and during the late 1970s (e.g., an average of almost 400 per year during FY 1978 to FY 1981). The phasing out of the A-10 and the simultaneous phasing-in of the F/A-18 and AV-8B result in the comparatively low annual rates of the past few years. The presently planned buildup of F-15, F-16, F/A-18, and AV-8B production lines to higher, more efficient rates during the mid-1980s is a reasonable projection when compared to these past procurement cycles. The DoD Tactical Aircraft Report, prepared in response to direction contained in the DoD FY 1983 authorization conference report (House Report No. 97-749 dated Aug. 16, 1982), provides an overview of future DoD tactical aircraft plans into the 1990s. This report describes efforts being made by the DoD to introduce efficiencies in future tactical aircraft procurement, such as reducing the number of different types of aircraft being procured.

Procurement Changes

Senator Riegle. Please explain the rationale for each of the changes in annual procurement of fighter and attack planes in overlapping years of the FY 1983-87 and the FY 1984-88 Five-Year Defense plans.

Answer: The only change in Air Force fighter/attack aircraft procurement plans in "the overlapping years of the FY 1983 to 1987 and the FY 1984 to 1988 Five-Year Defense Plans" was the deferral of 12 F-15s in FY 1984 and 24 F-15s in FY 1985. This change was made at the time that it was decided to introduce the F-15 into a Multi-Year Procurement (MYP) program, as now requested in the FY 1984 budget. Short-term cost growth in other areas, such as in Air Force peacetime operating stocks (POS) accounts, was documented during the same time, forcing some adjustments across the defense program to retain critically needed readiness emphasis. Note that some other procurement programs were being adjusted upward for increased efficiency during late Calendar Year 1982 as well (e.g., AV-8B). The net effect of these changes on the F-15 was to delay procurement of 36 aircraft from FY 1984 and FY 1985 into later years (beyond the FYDP).

For the Navy, the only change reflecting a reduction was in F-14 procurement, although overall future F-14 procurement quantity remained unchanged. To effect cost savings, FY 1983-1985 production schedules were levelled at 24 per year, resulting in six F-14 aircraft being deleted from FY 1985 to compensate for an increase of six in FY 1984 procurement.

Inventory Objectives

Senator Riegle: Have mission requirements and aircraft inventory objectives been revised downward in any instances?

Answer: The mission requirements and ultimate aircraft inventory objectives for Navy and Air Force tactical fighter/attack aircraft were not revised downward between the publication of the FY 1983-1987 FYDP and the publication of the FY 1984-1988 FYDP.

Force Level Reductions

Senator Riegle: To what extent and in what respects could aircraft force levels be reduced from current levels?

Answer: Air Force fighter/attack aircraft force level reductions would introduce increased risk that important defense goals could not be achieved. The near-term utility of the Air Force tactical fighter force is limited substantially by a lack of overseas bases in Europe to permit reinforcements to be deployed prior to hostilities (and consequent attrition). However, we aim to expand the basing posture as a matter of very high priority, as described in Air Force testimony. It is planned that minimum essential basing facilities will be available by the late 1980s, when the aircraft being requested for procurement now enter the operational inventory. Accordingly, procurement reductions now would directly reduce important future D-Day combat capability. More broadly, procurement reductions now would increase the average age of the force in the late 1980s and require that older, less capable aircraft be retained longer than now planned. For example, in the Reserve Components it might be necessary to operate aging F-4C/D aircraft armed with obsolescent weapons such as the AIM-7E and AIM-9P, rather than replace them with newer, better-armed F-4Es, which would have been supplanted in active force units by new F-15/F-16 aircraft that will carry the new AMRAAM missile.

Reductions in the existing Air Force tactical fighter inventory would increase the near-term risks we face. For example, the Warsaw Pact presently has a significant advantage in ground force equipment strength. We rely on tactical air forces to help counter the threat of early breakthroughs into NATO territory. Attrition rates of existing air-to-ground aircraft, armed with older munitions requiring overflight of heavily defended targets, could be very high. Yet it might be necessary to commit whatever forces we have immediately to prevent an early, catastrophic breakthrough. Force level reductions, even if made in the oldest, least-capable units, would restrict our ability to replace these early in-theater losses.

Navy strategy is based upon forward defense, with the key element being the carrier battle group and its integrated tactical aircraft. In view of the rapid buildup of the Soviet Navy into a credible "blue water" fleet, any reduction in U.S. Navy tactical air forces would increase the risk to our ability to provide control of sea lanes and project air power ashore. To meet worldwide needs, the Navy has stated a requirement for 15 deployable carriers. Presently there are 13 deployable carriers, another in SLEP, as well as the training carrier, USS Lexington. Introduction of USS T.R. Roosevelt (CVN-71) in FY 1987 will increase this total to include 14 deployable carriers, at which time a 14th carrier air wing is scheduled to standup. A 15th deployable carrier (CVN-72) currently is scheduled to enter service in FY 1990, with the assumption that the oldest ship (Coral Sea) is evaluated fit for further service at that time. Aircraft procurement reductions at this time would reduce the numbers and quality of aircraft available for both fleet and reserve units, requiring older, less capable aircraft remaining in service longer than planned. Such older aircraft will become less supportable over time and may not be able to successfully counter the threat posed by existing and future Soviet weapons.

Force Expansion

Senator Riegle: How do you plan to implement the proposed expansion of Air Force and Navy tactical air wings in light of the apparent equipment shortfalls?

Answer: We have adjusted planned Air Force tactical fighter/attack force structure goals downward slightly over the past year. A few Reserve Component squadrons assigned as Replacement Training Units (RTUs) have been re-designated training rather than combat forces. These squadrons lacked war reserve stocks, and present funding projections make it unlikely we could afford to make these units fully ready for early wartime combat employment as well as continuing their training tasks. (They retain the potential role of combat attrition fillers later in a major conflict.) Certain units, such as F-111 squadrons, have had their combat strength reduced to reflect normal peacetime attrition that cannot be offset because production has ceased. Over the longer term, the overall force expansion rate has been slowed to reflect somewhat earlier retirement of old aircraft (e.g., F-4C) late in the 1980s. However, in general the forecast improvement in Air Force tactical force capability throughout the 1980s is supported by current program plans.

Aircraft inventories and procurement programs support the Navy's expansion plans from a current force level of 12 active carrier airwings (CVW) to 13 CVW's in FY 1984 and 14 CVW's in 1987. The key to this expansion is introduction of the F/A-18 strike fighter, scheduled to replace Navy and Marine F-4 and A-7 aircraft.

Equipment Levels

Senator Riegle: Will unit equipment levels be reduced in order to outfit more squadrons?

Answer: No Air Force or Navy units will be reduced in assigned aircraft strength to outfit a larger number of squadrons. On the contrary, quite a few Air Force 18-aircraft squadrons will be filled out to 24 aircraft during the mid-to-late 1980s.

Interservice Collaboration

Senator Riegle: What are the prospects for closer collaboration between the Services in order to make more efficient use of tactical aviation equipment and training facilities?

Answer: Close collaboration is ongoing, exemplified by the recent Navy/Air Force agreement expanding the Air Force contribution to the "sea control" mission. As noted in the DoD Tactical Aircraft Study prepared at Congressional direction, it is planned to reduce the number of different aircraft types being operated over the next few decades. Joint service planning and acquisition is critical in achieving this goal.

Munitions Stocks

Senator Riegle: What steps are being taken to improve the war reserve stocks of air-to-air missiles used by our fighter and attack aircraft?

Answer: In FY 1984 our war reserve stocks of air-to-air missiles will be improved with the purchase of 1700 AIM/RIM-7M Sparrow, 2050 AIM-9M Sidewinder, and 290 AIM-54C Phoenix missiles. These quantities are within 200 of the quantities we purchased in FY 1983. This number, when coupled with the quantity additions that were achieved in the 1981 supplement and FY 1982 amendment, will allow the Air Force to reach its AIM-9M war reserve inventory in FY 1984. This means FY 1984 will be the final year of Air Force Sidewinder procurement. This fiscal year will also be the final year of planned Air Force AIM-7M Sparrow procurement. Although somewhat short of its Sparrow war reserve inventory objective the Air Force believes it is more important to field the AIM-120 Advanced Medium Range Air-to-Air Missile (AMRAAM--the replacement for Sparrow. If the AMRAAM encounters any near-term technical problems, continued Navy procurement of the AIM-7M will allow the Air Force to buy the Sparrow missile and protect its inventory levels.

Navy air-to-air missile inventories will improve over the next five year with continued Sidewinder, Sparrow, and Phoenix procurement. The Navy intends to wait until FY 1987 before procuring the new AMRAAM missile.

What's Wrong With Our Defense Establishment

(By David C. Jones)

The former Chairman of the Joint Chiefs of Staff criticizes the nation's military leadership as a group of rigid and conflicting bureaucracies unresponsive to changing conditions. He proposes a no-nonsense plan to make the defense system a more flexible, unified and forward-looking instrument of national policy.

At a late-afternoon meeting at the White House a few months ago, President Reagan, who had just returned from horseback riding at Quantico, turned to me in jest, but with a touch of nostalgia, and asked, "Isn't there some way we can bring back the horse cavalry?" My reply was: "Just wait, Mr. President. We are starting by resurrecting battleships.

Below the surface of this lighthearted exchange lie two pervasive problems within defense:

We are too comfortable with the past.

We do not make a sufficiently rigorous examination of defense requirements and alternatives.

By their very nature, large organizations have a built-in resistance to change. As the largest organization in the free world, our defense establishment—the Department of Defense—has most of the problems of a large corporation but lacks an easily calculated "bottom line" to force needed change. At the core are the Army, Navy, Air Force and Marine Corps: institutions that find if difficult to adapt to changing conditions because of understandable attachments to the past. The very foundation of each service rests on imbuing its members with pride in its mission, its doctrine and its customs and discipline—all of which are steeped in traditions. While these deep-seated service distinctions are important in fostering a fighting spirit, cultivating them engenders tendencies to look inward and to insulate the institutions against outside challenges.

The history of our services includes striking examples of ideas and inventions whose time has come, but which were resisted because they did not fit into existing service concepts. The Navy kept building sailing ships long after the advent of steam power. Machine guns and tanks were developed in the United States, but our Army rejected them until long after they were accepted in Europe. The horse cavalry survived essentially unchanged right up until World War II despite evidence that its utility was greatly diminished decades earlier. Even Army Air Corps officers were required to wear spurs until the late 1930's.

But the armed services are only part of the problem. The Defense Department has evolved into a grouping of large, rigid bureaucracies—services, agencies, staffs, boards and committees—which embrace the past and adapt new technology to fit traditional missions and methods. There is no doubt that the cavalry leaders would have quickly adopted a horse which went farther and faster—a high-technology stallion. The result of this rigidity has been an everwidening gap between the need to adapt to changing conditions and our ability to do so. Over the last two or three years the American public has become increasingly concerned over our deteriorating position in military power and convinced that we must devote more to our defenses than we did in the 1960's and 1970's. But after serving on the Joint Chiefs of Staff longer than anyone else in history and under more Presidents and Secretaries of Defense (four of each), and being a student of military history and organizations, I am convinced that fundamental defense deficiencies cannot be solved with dollars alone—no matter how much they are needed.

We do not think through our defense problems adequately, and we are getting less capability than we should from our increased defense budgets. There is reason to believe that, faced with a contingency requiring a major joint operation, our performance would be below the level we should expect or need.

No one element of our defense establishment is singularly responsible for our defense problems. The problems I will identify, and for which I will propose solutions, have existed too long to be the fault of any particular administration or of particular personalities in or out of uniform.

History books for the most part glorify our military accomplishments, but a closer examination reveals a disconcerting pattern:

Unpreparedness at the onset of each new crisis or war.

Initial failures.

Reorganizing while fighting.

Building our defenses as we cranked up our industrial base.

Prevailing by wearing down the enemy—by being bigger, not smarter.

We could do things poorly at the start of past wars and still recover because time was on our side.

The North was a striking example of a bureaucratized military establishment during the Civil Was. Initially, the South had better leadership, was far more flexible and was able to do a great deal more with its limited resources and forces. The North suffered early defeats and encountered many leadership problems, but finally won by virtue of overwhelming industial output and military manpower.

We also had serious organizational problems during the Cuban campaign of the Spanish-American War. The inter-service wrangling had been so great that the Army commander refused to let the Navy be represented at the formal surrender. Unfortunately, this was not the last case of split responsibilities and interservice conflicts obstructing our conduct of a war.

In the aftermath of the 1898 war, the services, particlarly the Army, instituted some organizational reforms. Despite a great deal of opposition, a Chief of Staff of the Army was created in 1903 and a Chief of Naval Operations was established in 1916. But the War Department (the precursor of the Department of the Army and the Department of the Air Force) and the Navy Department continued to be riddled with semi-autonomous, often intractable fiefdoms, branches, corps, departments, bureaus, and so forth.

World War I was the most tragic example of trying to win a war through mass and attrition. Thousands of young men gave their lives to advance a few yards over the enemy trenches, only to be thrown back the next day at an equal cost to the enemy.

The emergence of the airplane as a major military asset during World War I should have alerted us to the need to adjust our doctrines and our organizations to changing realities. The continued development of air power could not help but blur the traditional distinction between land and naval warfare, but the nation reacted to this phenomenon in a traditionally bureaucratic manner: Each service developed its own air power (today there are four air-power entities), and protected it with artificial barriers to obscure the costly duplications. One barrier, established in 1938 (later rescinded), prohibited any Army Air Corps airplane from flying more than 100 miles out to sea.

The Army and Navy began World War II with authority and responsibility diffused. Each still had many semiautonomous agencies with little coordination below the chief-of-service level. Soon after Pearl Harbor, Gen. George C. Marshall, the Army Chief of Staff, streamlined the Army by reducing the number of officers with direct access to him from 61 to 6. The Navy also made some adjustments. (The services have since slipped back into the old patterns. The number of officers having direct access to most service chiefs—especially when the joint system is considered—is again very high.)

The Joint Chiefs of Staff were established early in 1942 as a counterpart to the British Chiefs of Staff Committee. Although the wartime Chiefs addressed certain priority issues, to a great extent World War II was fought along service lines. Gen. Dwight D. Eisenhower, in his United States (as distinct from his Allied) role, reported to General Marshall. In the Pacific, the difficulties of integrating the operations of the services resulted in the establishment of two separate theaters: the Southwest Pacific Area, with Gen. Douglas MacArthur reporting to General Marshall, and the Pacific Ocean Area, with Adm. Chester W. Nimitz reporting to Adm. Ernest J. King, the Chief of Naval Operations. Split authority and responsibility in the Pacific was a continuing problem, and nearly caused a disaster during the battle of Leyte Gulf. Today the Pacific has been joined into one command and our combat commanders now report directly to the Secretary of Defense rather than to their service chiefs. But the Army, Air Force, Navy and Marine components of our combat commands report both to their service chiefs and the combat commanders, and the service chiefs still have the greatest influence over their actions. Furthermore, many of the fundamental problems of the World War II joint system still exist below the surface.

We won World War II despite our organizational handicaps, not because we were smarter, but once again because we and our allies were bigger. We had the time and geographic isolation to mobilize American industry and a superb code-breaking effort to aid our intelligence gathering.

As the war drew to a close, an exhaustive debate ensued on how to organize the post-war military. The Army favored a highly integrated system, but the Navy and others were strongly opposed, some fearing that the Army would dominate any integrated system. The Air Force, then still a part of the Army, supported integration, but was primarily interested in becoming a separate service.

Those opposed to integration were backed by stronger constituencies, including powerful forces in Congress, than were the advocates of unification. Arguments that

unification threatened civilian control over the military soon dominated the debate. As it became quite clear to the advocates that major change was unlikely, a little-known and surprising effort was made to salvage true integration: Karl Bendetsen, then a colonel on the War Department General Staff, but later the Under Secretary of the Army, and then chairman of the board of the Champion International Corporation, was the prime mover. He had been designated by General Marshall as the War Department liaison officer for the unification project, dealing with the White House, the Navy and Congress. After several months of analysis, he concluded that, in the absence of a new and bold initiative, unification as conceived by President Harry S. Truman, Secretary of War Henry L. Stimson and General Marshall had no chance of success.

In response to General Marshall's inquiry as to what such an initiative might be, Colonel Bendetsen responded that the only way to overcome the Navy's resistance would be to do away with the War Department, transfer all of its elements to the Navy, and redesignate that organization as the Department of Defense.

Instead of throwing the officer out of his office, General Marshall, one of the most consummate soldier-statesmen in our history, marched him straight to Secretary Stimson to outline the proposal. After an extended discussion among the three, Stimson called President Truman and asked for a meeting on this subject.

President Truman was intrigued by the idea and decided that the liaison officer should try it out on Secretary of the Navy James V. Forrestal. Though his first reaction appeared to be positive, Secretary Forrestal rejected the proposal, on the supposition that a single armed forces chief of staff could become too powerful and threaten civilian control. So after nearly two years of studies, debate and political maneuverings, the National Security Act of 1947 emerged with a compromise military establishment: a loose confederation of large, rigid service bureacracies—now four rather than three—with a Secretary of Defense powerless against them.

Ironically, Mr. Forrestal became the first Secretary of Defense, and, after learning at first hand his impotence in dealing with service autonomy told Karl Bendetsen, by then a civilian, that he, the Secretary, had been wrong in rejecting Mr. Bendetsen's advice.

One of Mr. Forrestal's last acts as Secretary of Defense was to recommend a much more integrated Department of Defense, but changes came slowly. Amendments to the National Security Act in 1949, 1953 and 1958 strengthened the Secretary's authority and expanded the size and purview of his staff, but did little to alter the relative influence of the joint military system and the services.

President Eisenhower had recommended a much stronger joint system in 1953 and 1958, and his wisdom was borne out by our conduct of the Vietnam War—perhaps our worst example of confused objectives and unclear responsibilities, both in Washington and in the field. Each service, instead of integrating efforts with the others, considered Vietnam its own war and sought to carve out a large mission for itself. For example, each fought its own air war, agreeing only to limited measures for a coordinated effort. "Body count" and "tons dropped" became the measures of merit. Lack of integration persisted right through the 1975 evacuation of Saigon—when responsibility was split between two separate commands, one on land and one at sea; each of these set a different "H-hour," which caused confusion and delays.

Our soldiers, sailors, airmen and marines have acted bravely throughout our history. With few exceptions, our forces have performed well at the unit level. And there have been bright moments at the higher levels also. The landing at Normandy, Patton's charge across France, the battle of Midway and the landing at Inchon were brilliant strategic conceptions, valiantly executed. But these peaks in martial performance followed valleys in which the nation found itself poorly prepared, poorly organized and imperiled by inadequacies in Washington. In the past, we had time to overcome our mistakes. Our allies often bore the initial brunt, and we had the industrial capacity for a quick buildup in the military capacity needed to turn the tide. Today we can expect no such respite. Our allies could not delay the Soviet Union while we prepared, and our industrial base has fallen into a state of disrepair. Nuclear weapons have added new dimensions which make constant readiness even more critical. If we are to deter another conflict, or to succeed if one be thrust upon us, we must be prepared to do things right on the battlefield the first time.

A sound defense posture should begin with sound long-term planning, a means to measure progress, and authoritative direction and control to insure that all elements contribute to a well-defined objective. On the surface, our system appears to provide such an orderly approach. The process starts with a defense guidance documents prepared by the office of the Under Secretary of Defense for Policy, based on Administration policy and fiscal guidance and on inputs from field commanders, the services, the Joint Chiefs, the Secretary of Defense's staff and other relevant

sources. The services build their annual programs on the basis of the defense guidance's objectives and budget targets and then submit them to the Secretary of Defense. The Secretary convenes a committee to review the documents and recommend changes to bring the service programs into conformance with the nation's priorities. After being submitted to the President and Congress for approval, the budgets are administered by the services and agencies assigned to the Department of Defense.

But this process begins to break down at the beginning because the military strategy contained in the defense guidance always demands greater force capabilities than the budget constraints will allow. Some administrations have attempted to limit the requirements by calling for the capability to fight "one and a half" or "two and a half" wars, while others have proposed preparing for global war almost without limits. In any case, the guidance almost invariably leads to what the Joint Chiefs have long called the "strategy-force mismatch" as requirements outpace capabilities.

Current guidance is so demanding that developing truly coherent programs to carry it out is impossible even under the most optimistic budget assumptions. The guidance places high priority on the long-term survivability of our strategic forces if a nuclear war should occur. Spending programs now include improvements in strategic command and control, a new bomber force with the B–1 and cruise missiles (and eventually the Stealth bomber), new nuclear submarines with improved missiles, and MX intercontinental ballistic missile. The guidance also requires a revitalized air defense, an expanded civil-defense program and possibly an antiballistic-missile system to protect the MX. Military developments in space will receive additional priority. At the other end of the nuclear spectrum, ground-launched cruise missiles and Pershing 2 intermediate-range ballistic missiles are planned for Europe to reinforce our position in arms-control negotiations, or to restore theater nuclear balance if those negotiations break down.

These nuclear requirements are large indeed, but they pale in comparison with conventional force requirements—expenditures for conventional forces are about three times those for nuclear forces. Substantial improvements in European and Pacific operations are planned and the ability to project power, especially in Southwest Asia, is to be expanded. The defense guidance tells the services to improve the readiness of conventional forces, greatly increase strategic-mobility capabilities and build up the Navy to provide maritime superiority. At the same time, they are to replace many weapon systems which are nearing obsolescence. And they are to provide greater sustainability so as to be able to fight a longer war. Improved industrial preparedness is also a goal.

There is simply not enough money in the projected defense budgets to do all this, but the defense guidance does little to set meaningful priorities or mandate a search for new directions to maintain our security. This is not a problem unique to this Administration.

Since requirements exceed resources, the military services invariably allocate resources among their traditional missions, and seek ways to justify a greater share of the budget. But additional funds are likely to come only from another service's share, so each attempts to outgame the others without sufficient regard for cross-service programs.

The vast array of service programs is then submitted to the defense committee. The name and composition of the committee may vary from administration to administration, but its function remains the same. Currently it is called the Defense Resources Board, and its chairman is the Secretary or the Deputy Secretary of Defense, and includes the service Secretaries, Assistant Secretaries of Defense and the Chairman of the Joint Chiefs of Staff. The service chiefs attend as observers.

Week after week, the board meets in an attempt to examine major issues, but the focus is primarily on the service programs, which include many hundreds of items deemed essential by their advocates. The board fusses over marginal changes in the service programs, but it is literally impossible for it to address them in sufficient depth or to focus on the most critical cross-service issues.

The Joint Chiefs of Staff and the Joint Staff are assigned a role in this process, but each service usually wants the Joint Staff merely to echo its views. Since four of the five members of the Joint Chiefs of Staff are also service chiefs, a negotiated amalgam of service views almost invariably prevails when inputs are finally proposed by the Joint Staff. The Chairman of the Joint Chiefs of Staff is the only military member of the Defense Resources Board and can offer independent opinions, but the chairman has only five people working directly for him to sift through the various issues. (The Joint Staff belongs to the Joint Chiefs' corporate body, not to

the chairman.) Consequently, chairmen traditionally focus on a few critical items. In my case, they were readiness, command and control, and mobility.

The result of this tedious process is a defense budget that is derived primarily from the disparate desires of the individual services rather than from a well-integrated plan based on a serious examination of alternatives by the civilian and military leadership working together. Inevitably, a Secretary of Defense either supports a total program that is roughly the sum of the service inputs (limited by fiscal guidance) or resorts to forcing changes, knowing that advocates of disapproved programs will continue the opposition into the Congressional hearings.

But resource allocation by the board is only the beginning of the problem. The optimism expressed in program proposals seldom comes true. The chairman of the Defense Science Board, Norma Augustine, has written that over the last 30 years our major weapons systems have met performance goals 70 percent of the time (not bad), but have met schedules only 15 percent of the time, and cost estimates only 10 percent of the time, even after accounting for inflation.

As costs increase, programs are stretched out. Weapons are usually ordered in numbers well below efficient production rates, to the detriment of the "industrial base." This only leads to further cost increases, the cycle repeats itself, and we find ourselves trapped in a Catch-22 situation. Tough decisions are not made, so the financial "bow wave" that always spills ahead is magnified. Attempts to improve efficiency, such as the current Administration's multiyear procurement contracts, are very helpful, but do not get to the fundamental problems of planning and resources.

The lack of discipline in the budget system prevents making the very tough choices of deciding what to do and what not to do. Instead, strong constituencies in the Pentagon, Congress and industry support individual programs, while the need for overall defense effectiveness and efficiency is not adequately addressed.

Pentagon leadership finds it virtually impossible to spend the time necessary to impose discipline on the budget process. Cycles overlap and, as this year, we usually find Congress considering a last-minute multibillion-dollar supplemental appropriation at the end of one fiscal year and unable to agree on the budget before the start of the next fiscal year. At the same time, the Pentagon is struggling with the next five-year defense plan and the subsequent budget submission. This immerses the leadership constantly in confusing external struggles for public and Congressional support and bewildering internal disputes over resources and turf.

The same pressures burden the service leaders as they attempt to cope with managing procurement programs, recruiting and training the forces, and maintaining discipline and esprit. Chiefs are judged by their peers and services on their success in obtaining funding for their own major systems and on protecting service interests in the three afternoons a week they spend in meetings of the Joint Chiefs of Staff. Furthermore, a service chief, who is a service advocate in one hat and supposedly an impartial judge of competing requirements in his other hat as a member of the Joint Chiefs of Staff, has a fundamental conflict of interest.

To sum up, our defense establishment suffers serious deficiencies, including the following:

Strategy is so all-encompassing as to mean all things to all men.

Leaders are inevitably captives of the urgent, and long-range planning is too often neglected.

Authority and responsibility are badly diffused.

Rigorous examination of requirements and alternatives is not made.

Discipline is lacking in the budget process.

Tough decisions are avoided.

Accountability for decisions or performance is woefully inadequate.

Leadership, often inexperienced, is forced to spend too much time on refereeing an intramural scramble for resources.

A serious conflict of interest faces our senior military leaders.

The combat effectiveness of the fighting force—the end product—does not receive enough attention.

Before too much criticism is heaped on the current Administration, let me point out that these problems have been with us for decades and there are no easy solutions.

What all this adds up to is that it is an uphill struggle for anyone—including a Secretary of Defense—to gain real control of our defense establishment. An earlier study on defense organization stated that everyone was responsible for everything and no one was specifically responsible for anything. The top leadership is too often at the mercy of long-entrenched bureaucracies. It is ironic that the services have, with considerable help from outside constituencies, been able to defeat attempts to bring order out of chaos by arguing that a source of alternative military advice for

the President and Secretary of Defense runs the risk of undermining civilian control.

There has for some time been an imbalance in the degree of control that our civilian leadership exercises over operational and other defense matters. In operational matters, it is pervasive. An order cannot go out of Washington to move a ship or other combat unit or to take any other specific operational action without the specific approval and initialing of the directive by the Secretary of Defense. At times, Defense Secretaries and their staffs have been involved in the most minute details of operations.

In other areas, civilian influence is more often apparent than real. Defense Secretaries are given very little comprehensive advice on alternative strategies or systems. In an attempt to fill the void, Defense Secretaries have often turned to civilian analysts for such advice. Such consultants can provide a useful service, but they cannot make up for the absence of alternative advice from experienced, serving military officers. That the Joint Chiefs of Staff, a committee beholden to the interests of the services, has not been able to provide such advice during its existence is amply documented in scores of studies over many years.

Civilian accountability within the Defense Department is undermined further by the rapid turnover or by inexperience in the senior leadership. In the 35 years since the department was founded, there have been 15 Secretaries of Defense, and there have been 19 Deputy Secretaries of Defense in the 33 years since the establishment of that position. A recent study revealed that the civilian policy makers in the Defense Department stay on the job an average of only 28 months.

Little of what I have said is new. Reams of paper have been used since World War II to describe these same deficiencies. President Eisenhower, who knew well both sides of the civilian-military equation, tried to resolve the basic problem, but the effects of his efforts were limited. Others have also tried, but with even less success. The bureacratic resistance to change is enormous and is reinforced by many allies of the services—in Congress and elsewhere—who are bent on keeping the past enthroned. Civilian defense leaders have been reluctant to push hard for changes, either because they thought they could not succeed or because they did not want to expend the necessary political capital which they believed was better spent on gaining support for the defense budget. Many have feared that raising basic organizational issues might distract attention from the budget and give ammunition to opponents, who would use admissions of organizational inefficiency to argue for further budget cuts. Yet, since the public already believes that all is not right with the Department of Defense, bold reforms would not only increase our defense effectiveness, but would strengthen public support as well.

That the balance of influence within the defense establishment is oriented too much toward the individual services has been a constant theme of many past studies of defense organization. A special study group of retired senior officers just this April found it necessary to report that "a certain amount of service independence is healthy and desirable, but the balance now favors the parochial interests of the services too much and the larger needs of the nation's defenses too little."

It is commonly accepted that one result of this imbalance is a constant bickering among the services. This is not the case. On the contrary, interactions among the services usually result in "negotiated treaties" which minimize controversy by avoiding challenges to service interests. Such a "truce" has its good points, for it is counterproductive for the services to attack each other. But the lack of adequate questioning by military professionals results in gaps and unwarranted duplications in our defense capabilities. What is lacking is a counterbalancing system, involving officers not so beholden to their services, who can objectively examine strategy, roles, missions, weapons systems, war planning and other contentious issues to offset the influence of the individual services.

President Eisenhower tried to resolve this problem in 1958 by removing the services from the operational chain of command. In essence, two separate lines of authority were created under the Secretary of Defense: an operational line and an administrative line. The operational line runs from the President, through the Secretary of Defense, to the combat commands—those theater or functional commands headed by the Eisenhowers, the Nimitzes, the MacArthurs of the future. The Joint Chiefs of Staff are not directly in this line of command but do, through the Joint Staff, provide the Secretary oversight of the combat commands, and pass his orders to them. The administrative line runs to the service departments responsible for recruiting, training, procurement and a myriad of other tasks necessary to develop the forces assigned to the combat commands.

President Eisenhower intended that the operational side would assist the Secretary of Defense in developing strategy, operational plans and weapons and force-

level requirements based on the needs of "truly unified commands." The Joint Chiefs of Staff and the Joint Staff were to be the Secretary's military staff in this effort. The services would remain the providers of the forces needed by the combatant commands but would not determine what to provide or how those forces would be employed. But President Eisenhower did not achieve what he wanted. The scales of influence are still tipped too far in favor of the services and against the combat commanders.

Although the combat commanders now brief the Defense Resources Board and have every opportunity to communicate with the Secretary of Defense and the Chiefs, virtually their only power is that of persuasion. The services control most of the money and the personnel assignments and promotions of their people wherever assigned, including in the Office of the Secretary of Defense, the Joint Staff and the Unified Command Staffs. Officers who perform duty outside their own services generally do less well than those assigned to duty in their service, especially when it comes to promotion to general or admiral. The Chiefs of Staff of the services almost always have had duty on service staffs in Washington but almost never on the Joint Staff. Few incentives exist for an officer assigned to joint duty to do more than punch his or her ticket, and then get back into a service assignment. I cannot stress this point too strongly: He who controls dollars, promotions and assignments controls the organization—and the services so control, especially with regard to personnel actions.

The most recent critique of defense problems was contained in a book published in September called "U.S. Defense Planning," written by John M. Collins of the Library of Congress. This study reveals some new deficiences as well as pointing out the old ones. "Interests, objectives, policies, commitments, strategic concepts and force postures often fail to complement each other" and "Preoccupation with present problems leaves little time to contemplate those coming down the pike" are but two of many such conclusions.

Yet is is very difficult to break out of the Department of Defense's organizational maze. Many have struggled vainly within the system to make improvements in the balance between the operational and administrative lines. Solutions to some of the basic interservice problems are heralded every few years but to this date have not addressed the fundamental causes. To provide a balance, the services must share some of their authority; but they have proved to be consistently unwilling to do so. A service chief has a constituency which, if convinced that he is not fighting hard enough for what the service sees as its fair share of defense missions and resources, can destroy the chief's effectiveness.

Only the Chairman of the Joint Chiefs of Staff is unconstrained by a service constituency, but he is in a particularly difficult position. His influence stems from his ability to persuade all his colleagues on the Joint Chiefs of Staff to agree on a course of action and any disagreement requires by law a report to the Secretary of Defense. A Chairman jeopardizes his effectiveness if, early in his tour, he creates dissension within the corporate body by trying to force the services to share some of their authority.

By the summer of 1980, after serving as Chairman of the Joint Chiefs of Staff for two years, I had become convinced that we could not begin to overcome our defense problems without a basic restructuring of military responsibility. In the early fall, I discussed the problem with Secretary of Defense Harold Brown and found that he shared my concerns. Although he was soon to leave office, he has remained a staunch supporter of organizational change. My first conversation with Caspar W. Weinberger, just before he assumed the office, was also promising. He indicated a receptiveness to any ideas that would improve defense decision-making and management. Soon thereafter I commissioned the group of retired senior officers mentioned earlier to examine the issues thoroughly and to interview and incorporate the views of the Chiefs, the combat commanders, joint staff personnel and many others.

At the same time, I studied the organizational arrangements in other countries—East and West. The Soviet Union has a highly centralized system with a general staff numbering in the thousands, but it also has many bureaucratic problems common to an authoritarian system. There are quite a few Western democracies with a centralized system that works well. For example, the Norwegians have a chief of defense who has great authority and control over the services and is considered a positive link in maintaining democratic control. At the other end of the spectrum, there are countries that keep their services well apart and in competition with each other. Iran under the Shah and Argentina with its junta made up of the three service heads are examples of such competitive systems. Our system falls more toward the competitive than the centralized end of the spectrum.

In trying to determine where our system should be on this scale, I had long discussions with my British counterpart, Admiral of the Fleet Sir Terence Lewin, Chief of the Defense Staff of the United Kingdom. Our system is an outgrowth of the British World War II system, and Sir Terence and I concluded that our respective organizational arrangements were now outmoded. We saw almost identical problems in our two military systems and came to very similar conclusions as to what was needed. Despite strong opposition from two of the British services, Sir Terence was able to secure quick approval to act on his conclusions from Prime Minister Margaret Thatcher. The major changes—providing a military counterbalance to the separate services—were implemented this spring and contributed to British success in the Falklands dispute.

Early this year, I aired certain proposals publicly in the winter issue of Directors and Boards magazine. Gen. Edward C. Meyer, Chief of Staff of the Army, soon published an article containing similar criticisms and recommended even greater changes in military organization.

This past summer, the House Armed Services Subcommittee on Investigations, under the chairmanship of Representative Richard C. White of Texas, held extensive hearings on the issue. The witnesses in support of major changes outnumbered the opponents by almost three to one. I was particularly impressed that all of the former Secretaries and Deputy Secretaries of Defense who testified supported at least as much change as I recommended, and most advocated even more.

It is no secret that the greatest opposition to any change came from the Department of the Navy, just as it did in 1947 and has ever since. I believe I understand, even though I cannot agree with the reasons. The Department of the Navy is the most strategically independent of the services—it has its own army, navy and air force. It is least dependent on others. It would prefer to be given a mission, retain complete control over all the assets, and be left alone.

The Army is and always has been the most supportive of the services in cross-service activities and the strongest advocate of organizational changes which would improve unity of effort. Its reasons, too, are understandable—and I agree with them. The Army is the least strategically independent service. It depends on the Air Force for much firepower and on the Air Force and Navy for mobility; the Army can, in fact, do very little in isolation and hence is particularly short-changed by a lack of integration and cooperation among the services.

The Air Force has some missions requiring the cooperation of the other services, and some which it can pursue independently. Not surprisingly, Air Force officers generally have been more ambivalent about change.

Given these circumstances, we cannot expect the services to agree on profound changes no matter how badly needed, for the changes inevitably would result in the services' giving up some of their sovereignty.

The bill drafted and then passed in the House avoided the issues on which the services are most sensitive; the bill contains some good provisions but they are insufficient to correct the basic ills of the system. It is to be hoped that the Senate will hold in-depth hearings, for public airing of the issues is essential in obtaining widespread understanding and support. There is always great reluctance in Washington to take on entrenched bureaucracies in the absence of some consensus for change.

Since I dealt only with military organization in my initial proposals, some misinterpreted them as calling for an all-powerful Chairman of the Joint Chiefs of Staff. That is definitely not my intent. On the contrary, my proposals are designed to provide the Secretary of Defense more balanced military advice and staff support in order to strengthen civilian control. I believe we must provide a proper balance between the services and the point system—the administrative and operational lines of authority and responsibility. So long as the leadership of the operational side remains within the control of the four services, individual service interests—which are oriented to independent capabilities—will continue to dominate the military advice offered to the Secretary of Defense.

In broad outline, this is what I believe must be done:

To eliminate service domination of the channels of military advice to the Secretary and the President, the Chairman of the Joint Chiefs of Staff—rather than the five-man committee of the Chiefs—should represent the operational side, while the service chiefs should continue to represent the administrative side of our military organization. The Chairman would receive advice from both the service chiefs and the combat commanders in preparing his recommendation to the Secretary of Defense. Furthermore, there should be a provision for a direct appeal to the Secretary of Defense or the President, as appropriate, if a service chief disagreed with the Chairman on a joint matter and felt strongly about the differences. The influence of

the combat commanders on operational matters should be increased to equal that of the service chiefs.

To insure that he can meet his responsibility to the Secretary and the President, the Chairman should be authorized a deputy chairman and the Joint Staff should be assigned to the Chairman rather than the corporate body of the Joint Chiefs. The service chiefs and their staffs (most of which dwarf the Joint Staff) would still have access to the Joint Staff but would not have a de facto veto of all proposals which subordinated service interests to greater cross-service effectiveness.

Systems analysts should be transferred from the Office of the Secretary of Defense to the Chairman's office to insure a good balance of civilian and military perspectives on alternatives offered to the Secretary. As a related action, many of the more than 500 military officers assigned to the Office of the Secretary of Defense should be reassigned back to their services as the Joint Staff becomes defensewide oriented rather than service dominated.

Discipline should be imposed on the guidance-program-budget cycle. Not only should there be a requirement for an independent cost analysis on every major program, but greater reliance should be placed on the results. Until the system proves it can plan and execute in a disciplined way, a substantial percentage of dollars in the five-year program should be reserved for unexpected cost growth or contingency operations. This would force some tough decisions at the beginning of the cycle which would avoid wasting money and provide greater effectiveness in the long run by not allowing programs to start that cannot be supported even under the most optimistic budget projections.

Administrative matters should be decentralized to the services, with their leadership, military and civilian, being held more accountable for performance. Fixing responsibility for defensewide advice more clearly on a joint system not dominated by the services would allow the service chiefs and their staffs to spend much more time on running their services.

Substantial changes should be made in military personnel policies so that officers could develop a broader vision than that of their own service and could be prepared better for both service and interservice assignments. We should begin by encouraging and allowing a substantial number of graduates from one service academy to volunteer for transfer to another service immediately upon graduation. The Air Force benefited a great deal in its early days by receiving officers from both West Point and Annapolis—officers with basic understanding of the other services. And two- or three-year assignments of officers to another service should become more common.

The professional education system should be changed to stress the joint needs in defense by providing the National Defense University limited oversight of part of the curriculum of the Service War Colleges.

We should re-examine the retirement system which provides great incentives for officers to serve for 20 years, but very few incentives for the best to stay longer. We still lose too many of our best officers at the peak of their capabilities. The joint system should be given some limited influence in the promotion and assignment of officers so that joint duty could become more attractive and rewarding for the best.

Finally, the Congressional restrictions on tenure of assignment on the Joint Staff should be removed so that we do not continue to experience a 100 percent turnover in a little over two years. Collectively, the above should provide opportunities for greater stability and experience in officer assignments and, thus, the opportunity for better accountability of performance.

I do not claim that my proposals will solve all of our defense problems, but these or similar major changes can set us on the right course. Congressional action is needed on these organizational issues—the most important defense problem facing our nation. Additional money is badly needed for defense, but without major realignment, we will neither achieve the necessary capability nor spend the money as wisely as we should. The critical question is whether we will show the wisdom to do as the British did, or whether we will muddle along as we have in the past until some crisis or disaster awakens us to the need for change.

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

"STRENGTH IN UNITY"

STATEMENT OF
Sergeant Major C.A. "Mack" McKinney USMC Ret.
Executive Director for Government Affairs

Submitted to

COMMITTEE on the BUDGET
U.S. House of Representatives
First Session, 98th Congress

on

FY 1984 BUDGET

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MR. CHAIRMAN. The Administration's FY 1984 budget request contains more than $280.5 billion in budget authority and $245.3 billion in outlays for defense and defense-related programs. This is an increase of more than $30 billion over FY 1983 appropriations.

$2.45 billion of the increase is programmed for military personnel. However, none of the requested funds are to be "targeted" toward a pay hike. Instead, the added dollars will be used to increase military manpower by 38,000 active-duty members and 28,000 reservists and guardsmen.

NCOA is concerned that the President's budget recommends a "pay freeze" for members of the uniformed services. Despite promises to the contrary and accusations that previous Administrations too long have ignored the plight of servicemembers, the President prefers to modernize and build the Nation's defense programs. Principally, the increases in the budget request are for weapons and weapons systems.

Some years ago it was NCOA that sent its spokesmen before appropriate legislative committees warning Congress that the erosion in pay and benefits was causing considerable alarm among the career forces. The Association urged Congress to address the issue immediately. However, in spite of numerous forewarnings by NCOA, it wasn't until 1980 and 1981 that our Nation's legislators reacted to offset the mass exodus of professionals. By then it was too late.

In a 3-to-4 year period career, professionals, in particular skilled and qualified noncommissioned and petty officers, opted to leave the military for civilian employment. For the vast majority, they are forever lost. In their place, is a fledgling force of yet unskilled and unqualified personnel. It will be some years before they will have gained the necessary experience to equate their performance with that of their predecessors.

Regretably, Defense Department officials are heralding the high recruiting and retention rates now enjoyed by the armed forces. "Regretably" because their boast is yet not equal to the higher rates scored for FY 1975. For example, retention rates for career enlisted personnel was 83 percent in FY 1975. For FY 1982 it was 76 percent, up from 68 percent in FY 1979. It was at the end of the latter fiscal year that the Navy could not get its ships to sea and the Army was characterized as "hollow"- both due to extreme shortages of noncommissioned and petty officers.

That shortage continues today. Whereas the Navy was 20,000, then 22,000 petty officers below its requirement, better retention rates have decreased the shortage by only 5,000. With a current shortfall of 17,000, it will take the Navy at least five more years to meet its petty officer needs- provided retention rates remain steady.

A "pay freeze", of course, will have an adverse effect on retention. This fact has been expounded not only by Defense officials but by the General Accounting Office (GAO) and Congressional Budget Office.

How much of an effect it will have on the current delicate retention picture remains unanswered. However, the perception that once again career professionals are being abandoned by their Commander-in-Chief and military chiefs is there and growing. It isn't only the pay freeze that bothers them. Of major importance is the continued "gnawing away" at benefits that were promised. It is the sporadic but ever-present threat that their compensation will be "capped" again and again in the name of "sacrifice".

Military personnel have been asked, four times in less than a decade, to accept a "pay cap". To do so was to set an example for the civilian sector. However, the GAO has reported that the caps did absolutely nothing to change the attitude of civilian workers. While military personnel were suffering their first three pay caps, civilian employees were receiving double-digit pay hikes.

Career personnel also wonder why it is that Congress cannot fund their permanent changes of station (PCS) moves at the same rates of reimbursement as authorized for governmental employees?

Career personnel wonder why it is that Congress continues to ignore many of the benefits and allowances whose limits were set many years ago and are no longer applicable or adequate for today's modern forces?

Career enlisted personnel wonder why Congress authorizes equitable per diem rates for them, then does nothing to fund the program?

Career personnel wonder why Congress authorizes temporary lodging expenses involved with a PCS, then does nothing to fund the program?

Career personnel wonder why their retirement system is always under threat and has seen more "piece-meal" legislation adopted that adversely affected their system while others went untouched or minutely affected?

Career personnel wonder why the Administration promises vast improvements in quality-of-life programs only to find that the President's own party is leading the parade to cut most of them out of the budget?

There are others, too numerous to include herein; however, one or two always is of greater concern to one group of professionals than the others. Whatever it may be, that concern becomes the final straw in making a decision whether or not to remain in the service. Granted, this distinguished committee cannot address all of the concerns of uniformed personnel, but it can provide the answers to a few. Principally, it can recommend a pay increase for most if not all of the uniformed services.

The increase should be no less than the anticipated inflation growth for the period Oct. 1, 1982, through Sep. 20, 1983. In addition, the pay compression issue for noncommissioned officers, petty officers, and even commissioned officers might be addressed. For years, their pay has slowly deteriorated in value compared to their pay grades while junior personnel, both enlisted and officer, have enjoyed enormous increases in basic pay rates.

Senator William Cohen, for example, has introduced a pay adjustment bill, S. 335. Its purpose is to offset part of the pay compression issue by providing small adjustments to NCO/Petty Officer pay grades. The committee may wish to review the proposal and, perhaps, draw from it a recommended adjustment for all career professionals.

*NCOA also recommends to the committee a reconsideration of last year's unwarranted capping of cost-of-living adjustments to the retired pay of military personnel under the age of 62 and the reduction in salaries of an amount equal to COLA increases in the retired pay of military personnel employed by the federal government. Both actions are totally discriminating and unfair. The "cap" affected many more military retirees than federal retirees. The COLA offset violates the basic principle of equal pay for equal work.

*Such Congressional actions will have an adverse effect on the retention of qualified and skilled professionals in the armed forces. Further, adoption of these proposals on a permanent basis will be devastating to the sustainability of defense manpower readiness. A like warning has been noted by the Congressional Budget office.

Finally, NCOA also recommends that the committee carefully consider budgeting funds for the other personnel programs mentioned in this statement. The investment is well worth the comforting thought that our uniformed personnel are being trained, disciplined, and led by professionals. Only through their continued loyalty and dedication to Country and Service can the Nation's defenses stand at the ready.

-end-

* Denotes changes

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